

The Examinations of the ROYAL SOCIETY of ARTS are held about the end of March and May in each year, and the results are announced about August. The entrance fee for the Elementary or Stage I. Examination is 2/6. An Exercise is set involving the use of the Subsidiary books, posting to the Ledger, and extracting a Trial Balance. Questions must be answered relative to simple business terms and abbreviations, and on the use of business documents, such as Invoices, Statements of Account, Bank Notes, Cheques, Bills of Exchange, and Receipts; Order, Postage, Petty Cash, Cash, Stock, Purchases, and Sales Books, and Ledgers. To gain a Certificate 50% of the total marks must be obtained. Although the requirements, according to the Syllabus appear reasonable, candidates will notice from a perusal of the following Exam. Papers, that the area covered by the various questions is a very wide one, and presents many difficulties. The Examiner in his Reports complains, on the one hand, that students do not display an adequate knowledge of practical methods, while, on the other hand, he himself requires from candidates such unpractical methods as the entering of transactions direct into the Ledger, without the use of subsidiary books. A copy of the Society's Syllabus and List of Centres is issued in September each year, and a copy may be had from the Secretary, 18 John Street, Adelphi, London, W.C. 2, for 4d post free.

**Ex. 33. Royal Society of Arts. (Stage 1., 1901).**

1. Explain the phrase, "Bringing down a balance." 2. Define the term "Voucher." When must a voucher be stamped; and with what value of stamp. 3. Sketch a form of Postage Book; enter in it an amount of Cash received by the Postage Clerk from the Cashier; and make six entries of letters and parcels dispatched. 4. State some headings under which you would analyse your Petty Cash payments for a month. What would be done with the analysis when made? What ought the total of the analysis to agree with? 5. What is the difference between a cheque made payable to "bearer" and one made payable to "order?" What is the effect of crossing a cheque?

**Exercise.** On 1st Jan., 1901, the Midland Railway Co. were creditors of Messrs. Smith & Lloyd for £15; Poor Rate Authorities for £4 10s.; and Jas. Robinson for £60; while John Jones was a debtor for £40 and Abel Lewis for £60. On the same date Wm. Smith's Cap. A/c. was in credit of £1000, and Tom Lloyd's £1500, in each case the share of profit for 1900 having been previously credited. Open Led. A/cs., and post the following cash transactions. Balance these a/cs. on 31st Jan., 1901, and bring down balances.

Jan. 1.	To John Jones for goods supplied ..	£30	2	6
" 2.	By Midland Railway Co. (carriage)		£10	17
" 5.	To Wm. Smith (Capital A/c ) .....	200	-	-
" 10.	By Poor Rate (Kensington Borough)		4	10

Jan. 15.	By Tom Lloyd (Drawing A/c.) ...	£10	.	2
,, 20.	Do. (share of profit for 1900)	250	12	6
,, 25.	To Abel Lewis for goods supplied £45	5	-	
,, 31.	By Jas. Robinson for goods purchased	50	7	6

Royal Society of Arts. (*Stage 1., 1902*).

- What do I mean when I tell Jones that he "may draw on me at 3 months?"
- Give the ruling of a Petty Cash Book, and enter an amount of £5 received by the Cashier on 1st Jan., 1902, and the details of five payments made by him during the rest of the week ended 4th Jan., 1902.
- Explain the abbreviations :— "E. & O.E.," "F.O.B.," "Per Pro."
- On 15th March, 1902, John Jones sent Wm. Smith a cheque for £50, drawn on the New World Bank, Ltd. Draw this cheque so as to afford the best security, should it be lost or stolen.
- Give your reasons why you would prefer a £5 Bank Note to a £5 cheque; and why £5 in gold to either.

**Exercise.** The following items appear in W. Robinson's Books, in the month of Jan., 1902. Post up the Ledger, opening new a/cs. where necessary and bring down the balances of Ledger and Cash Book, as on 31st Jan., 1902. Ledger Balances 1st Jan., 1902 :—

Dr. Stock in Trade .....	£569	Dr. Cash . ....	£15
,, Tom Turnbull .....	254	Cr. W. Robinson, Cap....	2000
,, Safe Bank Co., Ltd. 1039	"	Owen Williams ... ....	323
,, Furniture & Fittings 650	"	Morgan, Lewis & Co. 204	

Dr. Cash Book (as kept by Robinson). Cr.					
1902	Dis.	Bank.	1902	Dis.	Bank.
Jan. 1 To Balance ...	£1039	£1034	Jan. 15 By Owen Wil-		
,, 20 T. Turnbull	£1	250	Hams ....	£3	£320
,, 30 W. Smith (loan).....	800	800	" 27 " Bankers . ....	50	
			" 31 " Morgan,	4	200
			" 31 " Lewis & Co.		200
			" 31 " Robinson (drawings)		25
			" Wages .....		30
			" Warehouse Exs. ....		5

1902. *Purchases Book.*

Jan. 4th. Owen Williams—350 Bales at 31s. 6d. £551 5  
1902. *Sales Book.*

Jan. 5th. Tom Turnbull—220 Bales at 38s. .... £418 .  
,, 9th. R. Butcher—130 Bales at 37s. 6d. .... 243 15

Royal Society of Arts. (*Stage 1., 1903*).

- Explain the terms :—"Bank Draft," "Bill of Exchange," "Bad Debt," "Bankrupt."
- What is a "Bank Pass Book?" Submit a few imaginary entries to explain how such books are kept.
- Explain the meaning of the following phrases at the head of a trader's invoice :—"3% dis. for prompt," "2½% dis. in a month."
- What is a "post dated cheque"? Of what use

Is it? 5. Write up the following items in Petty Cash Book and bring down the balance as on 6th Jan., 1903:—Jan. 1, Received from Head Cashier, £5; Jan. 2, Purchased Postage Stamps, 30s.; Jan. 3, Paid bus fares, 3d.; Jan. 4, Received cash for sale of waste paper, 4s. 10d.; Jan. 6, Bought string, 1s., and brown paper 1s. 8d.

**Exercise.** Wm. Smith began 1902 with the following balances:

Cash .....	Dr. £100	John Green .....	Dr. £120
Town Bank, Ltd.....	385	W. Smith, Capital ..	Cr. 1000
Stock in Trade .....	520	James Ball .....	, 125
Purchased Goods from:—	Sold Goods to:—		
James Ball .....	£110	John Green .....	£58 5 6
William Paul .....	48	Edward Parker .....	21 8 9
Edward Parker ...	15 14 11	Wm. Peek .....	121 -
John Robinson ...	21 5 6	John Robinson .....	2 7 5
Returned to Wm. Paul	8 7 6	Returned by Wm. Peek	6 10 6

Post the above items; opening, where necessary, new a/cs. Balance and rule off these Ledger A/cs., and bring down the balances.

#### Royal Society of Arts. (*Stage 1.*, 1904).

1. Explain the terms:—"Dividend," "Discount," "Double-entry," "Distraint," "Drawings." 2. What is an Invoice? What would you do with Invoices received by a merchant? How would you record their particulars in his books? Give an example. 3. Sketch a form of Cash Book, which you would recommend to be used by a merchant who has a Banking A/c.; and from whose purchases and sales cash discounts are allowed upon settlement. Enter six debit and six credit transactions. 4. A tea dealer sells Tea, Coffee, and Sugar to sundry persons on credit. How would you record these sales in his books? Give an example. 5. What is the essential difference between a Cheque and a Bill of Exchange; and upon what principle are stamp duties levied upon each?

**Exercise.** On 1st Jan., 1904, John Jones had £500 as his Capital in business while Jas. Green was his debtor for £350, and he owed Wm. Paul £400. He had £450 at his bankers, and £100 in his safe. Open the necessary Led. A/cs., post direct to the Ledger:—Jan. 1, Sold Goods to Wm. Paul, £350; Jan. 4, Purchased goods from J. Robinson, £150; Jan. 7, Purchased goods from Wm. White, £220; Jan. 10, Purchased goods from P. Frean, £140; Jan. 15, Sold goods to Charles Carter, £340; Jan. 20, Sold goods to J. Farlow, £140. Jan. 25, Purchased goods from Wm. Paul, £480; Jan. 31, Returned goods to J. Robinson, £50.

#### Royal Society of Arts. (*Stage 1.*, 1905).

1. Explain the terms:—"Free on rails," "Bearer cheque," "Bill of Sale," "Book Debt," "Voucher." 2. George Jones buys cotton, value £80, from Robert Brown, and in order to

secure a special discount of 5%, pays prompt cash. Make the entries in George Jones' Cash Book necessary to record this transaction. 3. What is a Bill of Exchange? Explain the use of a Bills Payable Book. 4. John Jones desires to remit £100 to his son, who is at Singapore. What would you suggest as the best method of effecting this? Give your reasons. 5. Sketch a form of Petty Cash Book which you would recommend; enter therein the following items and balance it as on Dec. 6, 1904:—Dec. 1, Balance in hand, £4 13s. 2d.; Dec. 2, Paid office house-keeper, 15s. 2d.; Dec. 3, Purchased Stamps, £3 15s. 6d.; Dec. 4, Received from Cashier, £10; Dec. 5, Received from sale of old desk, 10s. 6d.; Dec. 6, Paid fares 6d., sundries 8d., gum 6d., telegram 8d., total 2s. 4d.

**Exercise.** Geo. Smith having purchased from Wm. Watson, wine merchant, the assets, including the goodwill of his business, for which he gave £3000 for stocks of wines and spirits, £500 for utensils, bottles and appliances, and £1000 for goodwill, commenced business on Dec. 1st, 1904. He opened an a/c. at the Secure Bank, Ltd., and paid in £2000, representing his working capital. Open the necessary Ledger A/cs. to record the above, and post the following transactions direct to the Ledger. Balance the a/cs. as on Dec. 9, 1904, and bring down the balances:—

- Dec. 2. Bought from R. French 3 pipes of port, at £85 per pipe.
- „ 3. Bought from C. Clare 50 doz. of sherry, at 90s. per doz.
- „ 5. Bought from R. Frost, a bottle-washing machine for £18 10s.
- „ 6. Sold to Grand Hotel Co., Ltd., 10 doz. sherry at 108s. per doz.
- „ 7. Bought from G. Keen 10 doz. of champagne at 100s. per doz.
- „ 8. Sold to R. White 1 pipe of port for £95.
- „ 9. Sold to R. Frost 2 doz. of champagne at 110s. per doz.

**Royal Society of Arts. (Stage I., 1906).**

1. Briefly explain the following terms and abbreviations:—“Credit Note,” “Asset,” “Personal Ledger,” “Contra A/c.,” “V. & O. E.,” “N.B.” 2. What is the use of a Stock Book? What is meant by “taking stock?” On what principle ought articles in stock to be priced? 3. What is the difference between a “Private Ledger” and a “General Ledger?” Into what is the General Ledger, for convenience, generally divided? Give the headings of two a/cs. which would appear in each ledger respectively. 4. What is a “Columnar Petty Cash Book?” Give a ruling of such a book, and make one debit and four credit entries therein. 5. Write up William Brown's Cap. A/c. from the following items:—July 1, 1905, Balance of capital at this date £800. Sep. 30, Paid in £400. Nov. 30, withdrew £720. Dec. 31, Int. on Cap. at 5% per ann. Dec. 31, Net loss for the half year £200. Bring down the balance.

**Exercise.** On 1 Dec., 1905, H. Lloyd commenced business with a capital of £500 in cash. On this date he paid the following sums:—Shop Fittings, £50; purchase of goods, £200; one

quarter's rent in advance, £20. Open Ledger a/cs. to record the above; post the following transactions direct to the Ledger; balance the a/cs. as on 31st Dec., 1905, and bring down the balances:—Dec. 2, Sold goods to W. Hunt, £140; Dec. 4, Purchased goods from R. Johnson, £20; Dec. 11, Purchased goods from H. Hall, £150; Dec. 16, Sold goods to E. Jones for cash, £20; Dec. 20, Sold goods to W. Silver, £50; Dec. 21, Received from W. Hunt cash on a/c., £10; Dec. 22, Paid R. Johnson's a/c., less 5% dis.

**Royal Society of Arts. (Stage 1., 1907).**

1. What is the difference between an "Invoice" and a "Statement?"
2. What do you understand by the signs "Dr." and "Cr.?"
3. What is the object of "closing a ledger," and how is it effected?
4. Explain the "Imprest" system of keeping Petty Cash. Give an example.
5. Write up an a/c. with your Bankers, recording the following transactions:—Jan. 1, 1907. Balance to your credit at the Bank £3387 5s. 6d.; Jan. 3. Paid W. Smith, £600; Jan. 5. Paid in £218 5s. 7d.; Jan. 12. Paid J. Brown on a/c. £1000; Jan. 19. Paid H. Wilson, £671 3s. 2d.; Paid J. Brown on a/c. £1000; Jan. 26. Paid in £1461 2s. 1d.; Paid J. Brown (balance), £781 2s. 3d.; Jan. 28. Paid H. Shepherd, £81 2s. 8d.; Jan. 31. Paid in £8 10s 3d. Balance the a/c. and bring down balance.

**Exercise.** J. Cripps commenced business as a coal merchant on 1st Oct., 1906, with the following assets:—Cash £200; Plant & Fixtures £60, and Horse and Cart £30. He opened an a/c. with the Union Bank, into which he paid his initial capital and all cash received. During October the following transactions took place:—Oct. 3. Purchased coal from the X. Y. Colliery Co., Ltd., £160; 8th. Sold coal to T. Phipps, £20; 12th. Sold coal to J. Hall £110; 15th. Purchased coal from the X. Y. Colliery Co., Ltd., £360; 16th. Received cash from T. Philipps £20; 17th. Received Cash from J. Hall (on a/c.) £80; 24th. Paid cheque to the X. Y. Colliery Co., Ltd., £200. Open Ledger A/cs. and post, direct, the above facts and transactions. Balance these A/cs. as on 31st Oct., 1906, and bring down the balances.

**Royal Society of Arts. (Stage 1., 1908).**

1. What is a Voucher? Briefly describe the system upon which you would arrange vouchers in a business.
2. What entries are necessary in my books to record the fact that A. has become my Creditor for Goods supplied by him to me?
3. In the following account, who owes the £256 5 10, and to whom is it owing:—JOHN JONES in a/c. with WM. SMITH. 1908. Feb. 22. To Welsh Coal supplied by J. Jones' order to S. McNeil, at Glasgow ... £256 5 10
4. Write up a Cash Book recording the following transactions: Balance the account and bring down the balance. 1908. Jan. 1, Balance in hand this day, £217 10s. 1d.; Jan. 3, Paid into Bank, £100; Jan. 4, Received from Tom Smith £69 10s., Dis. 10s. 9d.;

Jan. 7, Received from E. Owen and paid into Bank, £116 1s. 9d.; Jan. 10, Paid one quarter's rent, £30; Paid G. Nash by cheque on Bankers, £151 12s. 10d.; Discount allowed thereon, £4 7s. 2d.

5. On which side of the following accounts should the balance, if any, always be, and why?—Bills Payable, Bills Receivable, Cash.

**Exercise.** On 1st December, 1907, Charles Dickson commenced business with the following Assets :—Cash at Bank, £500. Cash in hand, £100, and Fixtures, £150. The following transactions took place during December :—Dec. 2nd. Purchased goods of T. Bell, £100. Dec. 3rd. Purchased goods of Black & Co., £80, for cash, and paid him for same. Dec. 9th. Sold to W. Brown goods £50. Dec. 16. Paid T. Bell's a/c. by cheque less 5% discount. Dec. 18th. Sold goods to R. Walters, £10. Dec. 31st. Received of W. Brown cash in settlement of his account, less 2½% discount. Open the necessary Ledger Accounts and post direct the above facts and transactions. Balance these A/cs. as on 31st December, 1907, and bring down the balances.

#### Royal Society of Arts. (*Stage 1., 1909*).

1. What do you understand by the terms "balance down," "trial balance," and "balance sheet?" What is the chief difference between the last two? Does the term "balance down," closing the debit side of an a/c. mean that the a/c. is in credit, or in debit, and why? 2. Give a form of Cash Book you would recommend as suitable for recording both cash and bank transactions. Start the book with a balance at the Bank, and draw a cheque in favour of "self," the proceeds of which are to be used in making cash payments. Make six further entries on the debit side, paying all receipts into the Bank, and six further entries on the credit side, three being cash payments and three payments by cheque; balance the cash book and carry down the balances. 3. On 27th Feb., 1909, John Jones sold Wm. Smith 3lbs. tea at 1s. 9d., 2lbs. sugar at 6½d., 2 ozs. Jordan almonds at 2s. 6d. a lb., 3 tins potted salmon at 5s. 4d. the doz. Make Invoice.

4. On 3rd April, 1908, Thos. Fisher sold Geo. Kent goods value £30 15s. 0d.; on 4th May, Kent paid Fisher £20 5s. 0d. on a/c.; on 30th April, Fisher sold Kent £45 10s. 0d. of goods; on 31st May, Kent paid Fisher £32 10s. 0d. on a/c.; on 4th June Kent returned to Fisher £5 10s. 0d. goods (not being up to sample); on 12th June, Fisher sold Kent £42 8s. 0d. of goods; on 30th June, Kent paid Fisher the balance owing upon the transactions of 3rd and 30th April after deducting 2½% discount together with a further amount of £20 on a/c. As on 30th June, Fisher sent a three months' statement to Kent. Draw the statement so sent. 5. On 31st May, 1908, George Kent paid Thos. Fisher £32 10s. 0d. He paid this by cheque on the Credit Banking Co., Ltd. Sketch the form of cheque he would use, and "draw" it, making it as secure as you can against loss by theft or mis-chance.

**Exercise.** On 1st Jan., 1908, J. Ferguson started business as a grocer, and paid £200 into the Union Bank by way of Capital.

On that day goods were delivered by McDonald & Co., to him which he had previously ordered to the value of £50, and for which he paid by cheque, deducting 5% discount for cash. The same day he made "cash sales" amounting to £4 6s. 2d., which he paid into the Bank. On 2nd Jan., he drew and cashed a cheque for £5 for petty cash purposes and purchased for cash 5s. worth of stamps, and 15s. worth of stationery. The cash sales on this day amounted to £1 7s. 7d., which he paid into the Bank, and he also sold goods on credit to Mrs. Murphy, value £2 4s. 6d., and to Mr. Graham, value £1 4s. 4d. On 3rd Jan. he bought further goods from McDonald & Co., value £25 16s. 10d., but this time the purchase was on "credit terms." On 4th Jan., Mrs. Murphy paid £1 on a/c. of the goods supplied to her, and this, together with the Cash Sales for two days, £4 3s. 7d., was paid into Bank. On the same day he supplied goods value £1 16s. 10d., on credit to Mr. Graham, who, at the time of ordering, paid for the goods supplied on 2nd Jan., less 4s. 4d. discount, and this was paid to the Bank. On 5th Jan. he bought goods on credit from W. McNab & Sons, value £14 12s. 8d., and paid McDonald & Co.'s a/c., less 5% discount by cheque. Open Ledger a/cs. and post direct the above transactions, balance the a/cs., and bring down the balances.

#### Royal Society of Arts. (Stage 1., 1910).

1. Give three "business terms" and three "business abbreviations" and explain the meaning of each. 2. When goods are sent to a customer, what is said to be sent with them (or by an early post) recording the transaction? Give an example. How does this document differ from a "statement?"

3. On 4th Jan., 1909, John Brown purchased goods of Thomas Smith to the amount of £232 4s. 3d. On the 8th Jan., Brown returned £51 2s. 5d. of these goods as being faulty, and sent Smith £50 on a/c. On 15th Jan., Brown purchased of Smith, £72 5s. 8d. of goods, and paid him £60 on a/c. On 31st Jan., Smith sent Brown a statement showing the balance owing to Smith, and this Brown paid to him on 1st Feb. How much was this balance? Give a copy of Brown's a/c. in Smith's Ledger recording the above transactions. 4. Explain the meaning of the word "discount." In what books of a trader do records of discounts usually appear?

5. Write up a Bank A/c. recording the following:—1st Dec., 1909, balance at my bank, £3215 14s. 1d. 2nd Dec., drew cheque for self, £25. 4th Dec., paid in £9634, received from W. Porter. 6th Dec., drew cheque for T. Kerr, £161 10s. 6th Dec., E. Milner paid into my Bank A/c., £864. 10th Dec., drew cheque for J. Coleman, £10000. 15th Dec., drew cheque for Black & White, £211 6s. 3d. 21st Dec., drew cheque £50, for rent, and paid into Bank £91 6s. 8d. received from H. Jackson. 31st Dec., drew cheque £25, for self. Paid into Bank, £51, received from Duff Bros. Interest allowed on the a/c. by the Bank, £18 9s. 3d., and commission charged, £1 2s. 3d. Balance the a/c. and bring down balance.

**Exercise.** James Cripps started business as a Coal Merchant on 1st July, 1909, paying (as his capital) to his Bankers, £250; purchasing, for £50, a horse and van from Timothy Toogood, and 60 tons of coal at 11s. 6d. from the Stiff Colliery Co., Ltd., On 2nd July he sold 15 cwt. of coal at 1s. per cwt. for cash.

On 3rd July he sold 12 cwt. of coal at 11d. per cwt. for cash, and 3 tons at 19s. a ton to Miss Graham on credit. He paid the Stiff Colliery Co., Ltd. (by cheque) £25 on a/c., and drew a cheque for £1 for Petty Cash.

On 4th July he sold 11 cwt. of coal at 1s. 1d. per cwt. for cash, and 2 tons at 19s. 6d. per ton to Mrs. Smith on credit. He received and paid into his Bank a cheque from Miss Graham, in payment of her account, less 10s. allowed for short weight.

On 5th July he sold 20 tons of coal at 18s. 6d. a ton to A. Evans, and received from him £10 on a/c., which he paid into his Bank. He sent the Stiff Colliery Co., Ltd., a cheque in settlement of their a/c., less 2½ dis. On 6th July he paid T. Toogood £50 by cheque.

Open Ledger A/cs. and post the above *direct* thereto Balance the a/cs. and bring down the balances

#### Royal Society of Arts. (Stage 1, 1911).

1. Explain the meaning of the following terms and abbreviations :—Gross profit, Solvency, Drawings, B/L., f.o.r., die.

2. The cheque set out below was sent to Colston & Co. by post :—

No. D 39654. London, 20th January, 1911.  
Lloyd's Bank, Limited.

Pay Messrs. Colston & Co .. or order  
Twenty eight pounds ten shillings and six pence.  
£28 10s. 6d. Robert Radford & Co.

What are cheques of this kind called? How could Radford & Co. have made the cheque more difficult to cash in the event of it being stolen? and explain why Who are the payees of the cheque, and who are the drawers?

3. Sketch the "three column" Cash Book of George Griffiths, write in it the following, and balance it on the 7th Jan., 1911 :—

Jan. 2	Cash in hand £1 18s. 6d., at bank . . .	£318 12 10
" 3.	Drew from the Bank for office cash . . .	30 - -
" 4.	Paid Great Eastern Railway, in cash ..	1 12 6
	Paid Peter Jones by cheques £28 1 1, Dis. .	1 15 11
" 5.	Received from B. Gregory & Co., Ltd., cheque in settlement (less 15s. 6d. dis.), which was paid into Bank . . . . .	49 4 6
" 6.	Paid from office cash, wages . . . . .	8 12 6
" 7.	Cashed cheq. for customer; paid it into Bank	12 - -
	Received in cash from B. Bolton . . . .	1 2 6

4. Henry Holcombe & Co. purchased four bales of Oxford shirtings from Charles Cobourne, of Bradford, on 2nd Feb., 1911, at £16 per bale. On delivery of these goods one bale was found to be damaged; it was therefore returned to C. Cobourne on 4th Feb. Give the ruling of the books in which Holcombe & Co. would record these transactions, and make the necessary entries. 5. George Jennings, a trader, upon commencing business, purchased a Cash Book, a Journal, and a Ledger. He gave his clerk instructions that all cash transactions were to be entered in the Cash Book, and that all his credit sales and purchases were to be passed through the Journal. If you do not approve of G. Jennings' action, what course would you recommend.

**Exerc.:—** On 2nd Jan., 1911, Charles Baines commenced business by paying his capital of £500 into the Union Bank, Ltd. Transactions for the month :—

Jan. 3.	Purchased cottons on credit from P. Burford £84 10	1
	Purchased silk from W. Walker & Co., on credit	74 1 10
,, 4.	Bought of B. Burns, velvet on credit, less 10% trade discount .....	102 - -
	Drew from Bank for Petty Cash purposes ...	10 - -
,, 5.	Sold Richd. Leicester & Co., silk £62 10s., velvet .....	75 8 -
,, 6.	Purchased postage stamps out of Petty Cash	- 5 -
	Paid trade expenses, by cheque .....	8 6 2
,, 7.	Received from R. Leicester & Co., cheque for the amount of their a/c., less 5% cash dis.	
,, 10.	Paid salaries, by cheque .....	10 - -
,, 18.	Purchased on credit, from R. Hampton, tweed	65 8 6
,, 20.	Returned tweed, damaged, to R. Hampton...	6 10 -
,, 21.	Paid Paul Burford on account .....	50 - -

Open ledger a/cs., and post. Balance the a/cs., and draw T.B.

#### Royal Society of Arts. (Stage 1, 1912).

1. Explain the meaning of the following :—Account Current, Credit Note, Rebate, F.O.B., C.I.F., A/S.

2. How many parties are there to an "order" cheque, and who are they? Is it necessary to stamp a cheque; if so, what is the value of the stamp required, and how does it differ from the stamp necessary for a Bill of Exchange?

3. Prepare a Columnar Petty Cash Book upon the Impost System, record the undermentioned transactions, and bring down the balance. 1911. Dec. 31. Cash in hand, £5 3s. 7d.; 1912. Jan. 1. Recd. amount necessary to make up the imprest £10; Jan. 2, Bought postage stamps, £1 10s., Paid Carr. on Parcel, 3s. 7d.; Jan. 3, Paid travelling expenses, 11s. 10d.; Jan. 4, Bought packing materials, £1 3s. 6d.; Bought Stationery, 4s. 8d.; Jan. 5, Paid wages to odd man, 6s.; Jan. 6, Bought job line of goods for cash from H. Saunders, £1 15s.

4. William Jones received the following letter from his customer, Robert Brown, on 6th Jan., 1912:—"I beg to advise you that I have this day paid into your account at the Union Bank the sum of £18 in settlement of my a/c., less 5% discount. Please return for cancellation the 3 months' bill for £20 accepted by me on 29th Dec., 1911." On 7th Jan., the Union Bank advised Jones that his a/c. had been credited with £19 as above. Jones therefore returned the bill for £20 to Brown as requested. Show the entries necessary to record the above transactions in Jones' books.

5. To what Ledger A/cs., and on which side, would you expect to find the following transactions posted —(a) Drew cheque for weekly wages £160, (b) Drew cheque for new printing machine £650; (c) Received cheque from R. Robinson, in settlement of his a/c. (less 5% discount) £47 10s.

**Exercise.** John Miller commenced business, as a draper, on 3rd July, 1911, with £250 at the Bank, £3 cash in hand, and stock, £300. The Stock had not yet been paid for, having been obtained on credit as follows —J. Beale & Co. £110, F. Hall & Sons £60, Thomas Fisher £90, and Hugh Jones, Ltd., £40. Miller also possessed Furniture, Fixtures and fittings valued at £70. Open Miller's Ledger and post, through the subsidiary books, to it, his transactions, as follows —July 3, Paid Cash for stamps, 5/-, and stationery, 6 d.; Purchased from J. Beale & Co., 120 yds. of flannelette at 4/3 per doz. yds., on credit; July 4, Purchased from F. Hall & Sons, 600 yds. of shirting (240 yds at £1/3 per doz. yds., and 360 yds. at 10/9 per doz. yds.), on credit; July 5, Bought, for Cash, brown paper and string, 15/-, Banked Cash Sales for the 3rd and 4th July, £27 10s.; July 6, Banked Cash Sales for the 5th July, £16 5s.; Paid by cheque, J. Beale & Co. on account, £30; Paid by Cheque, Hugh Jones A/c., less 2½% dis.; July 7, Paid by Cash, carriage, 13/6; July 8, Sold to Miss H. Hayman, on credit, 10 yds sheeting at 1/5 per yd., 1 doz. reels of assorted cotton for 2/3, 2 pairs of lace curtains at 16/11 per pair; July 8, Received credit note from F. Hall & Sons for 8 yds of shirting at 10/9 per doz. yds., which were damaged in transit and returned to Hall; Banked Cash Sales for 6th and 7th July, £32 15s., Drew and cashed cheque for £10, and paid wages, £7 5s. Balance the a/cs., bring down balances, and extract a T.B.

#### Royal Society of Arts. (Stage 1, 1913).

1. Explain the meanings of the following terms and abbreviations:—Book Debts, Voucher, Per Cent, R/D., p.a., Net. 2. Briefly explain the uses of the following commercial documents: (a) An Invoice. (b) A Statement. (c) A Credit Note. Give a specimen form of each document (write two entries), assuming that John Johns is a customer of William Walter & Co., Ltd.

3. The following is a statement of a Trader's Credit Sales and Credit Purchases and Returns (Inwards and Outwards). Enter the transactions in the proper books of original entry and show

the totals of each. *No posting to Ledger A/cs. to be done.* 1913. Feb. 3, Bought from F. Grace, 2 doz. Pocket Knives at 4s. 6d. each; Sold to J. Abel, 1 doz. Photo Frames at 1s. each; Sold to J. Shrewsbury, 6 doz. Dessert Knives at 20s. per doz., less 5% trade dis.; Received from B. Briggs, 1 case of Carvers 25s., returned damaged; Feb. 4, Bought from G. Mead, 2 doz. Silver Photo Frames at 5s. 6d. each, less 10% trade dis.; Returned to N. Hurst 1 doz. pairs of Scissors at 18s. per doz., being the wrong size; Feb. 5, Sold to W. Humphreys,  $\frac{1}{2}$  doz. Razors at 3s. each, and charged him carriage on same, 6d.; Sold to L. Towns-end, 2 cases of Fish Knives and Forks at £2 per case; Returned to F. Grace,  $\frac{1}{2}$  doz. Pocket Knives at 4s. 6d. each, being of poor quality; Feb. 6, Bought from B. Lilley, 2 doz. Glass Match Stands, Silver Mounted, at 6s. each; J. Abel returned  $\frac{1}{2}$  doz. Photo Frames at 1s. each, not ordered; Feb. 7, sold to J. Hearne 3 doz. Pocket Knives at 30s. per doz., less 5% trade dis.; Sold to V. Gunn,  $\frac{1}{2}$  doz. Glass Match Stands, Silver Mounted, at 8s. 3d. each; Feb. 8, Bought from L. Spooner, 6 cases of Fish Knives and Forks at £3 per case, less 10% trade dis.

4. On Jan. 1, 1913, Middlemiss & Turnbull, London, sent to S. Macgregor, Manchester, for acceptance, a Bill of Exchange for £100, dated Jan. 3, 1913, and payable 3 months after date. S. Macgregor accepted the draft and made it payable at his Bankers, the Staple and Stedfast Banking Co., Ltd., Stockport. Show the form of the Bill as it would appear when returned to Middlemiss & Turnbull, and state who is the Drawer and who the Drawee, and give the date when the Bill will mature.

5. A Firm's book-keeper had, during the month of Jan., 1913, entered Returns Inwards and Outwards in the Purchases Book and Sales Book respectively, and the monthly totals of each had been posted to the Purchases and Sales A/c. in the Ledger. What entries should be put through the books to rectify these mistakes, assuming that the Returns Inwards for the month amounted to £10, and the Returns Outwards to £30?

**Exercise.** Charles Ross & Augustus Webb, trading in partnership as Furniture Dealers, had £400 each standing to the credit of their Capital A/c. on 1st Jan., 1913. The other balances were:—*Debit Balances*: Stock £813, F. Larner £62, N. Sturgess £49, Cash at Bank, £113, Cash in hand £10, Furniture & Fixtures £45. *Credit Balances*: F. Hammond £134, L. Yates £81, E. Bridge £77. Open Ross & Webb's Ledger with the above, and post thereto, through the proper books of original entry, the following:—Jan. 1, Sold to F. Larner on credit, 6 Windsor Smoking-room Chairs at 18s. 6d. each.; Sold for Cash, 1 Occasional Table for £1 1s.; Jan. 2, Bought for Cash, Stationery, £1 5s.; Paid Window Cleaner, 5s. in Cash; Bought of L. Yates, on credit, 1 Walnut Hall Stand, £3; Jan. 3, Received cheques from the following, which were paid into the Bank:—F. Larner, £50 on a/c.; N. Sturgess, balance of his a/c., less dis.; Jan. 4, Drew and cashed Cheque, £15; Paid Wages,

£7 10s. (including Insurance Stamps) in Cash; Each Partner withdrew £3 10s. in Cash for private purposes; Jan. 6, Sold for Cash, 1 Bedroom Suite, £15; Paid into Bank, £10; Jan. 7, Sent Credit Note to F. Larner for allowance of 6d. each on 6 Windsor Smoking-Room Chairs; Drew cheques for the following:—F. Hammond, £50 on a/c.; L. Yates, £30 on a/c.; E. Bridge, the amount of his a/c., less 5% dis.; Jan. 8, Paid Rent by Cheque, £25; Paid Gas A/c. by Cash, £7 13s.; Balance the Ledger A/cs., bring down the Balances, and extract a Trial Balance as on Jan. 8th, 1913.

The NATIONAL UNION of TEACHERS holds examinations in the usual three stages of Book-keeping in March or April, the entrance fee for the Elementary stage being 3/-. The scope of the Elementary examination is quite reasonable and compact, as may be gathered from a perusal of the following Papers. A copy of the Syllabus may be obtained from the Secretary, Hamilton House, Mabledon Place, Euston Road, London, W.C. 1, for 3d.

National Union of Teachers. (*Elementary, 1908*).

1. How is the Net Profit or Loss arrived at from a set of books? If the totals of P. & L. A/c. were £60 Dr. and £100 Cr., would you call the balance a profit or a loss? 2. What do you understand by Ledger, Bought Ledger, Sold Ledger, Customer's Ledger? 3. Tell the state of John Brown's business from the following particulars, which you are to set out in proper form:—James White, Thomas Black, and Henry Green owe him £150, £280, and £390 respectively. He owes Walter Williams £240, John Jenkins £410, and Philip Parkes £500. In addition he has Cash in hand £20, and Goods on hand £160.

Ex. On 1st Jan., 1908, the state of Henry Flint's business was as follows:—Cash in hand £350 12 6. Goods on hand £410. Debtors:—A. Berks £100 7 6, B. Devon £75 5 ., C. Kent, £320 15 -. Creditors:—D. Lancs £225 5 ., F. Yorks £80 15 -. Enter, post, prepare T.B., and make out P. & L. A/c., and B/S.

Jan. 1.	Paid Salaries .....	£25 10	-
,, 2.	Paid Rent .....	30 5	-
,, 4.	Received Cash of C. Kent £217; allowed Dis.	3 15	-
,, 6.	Paid for Stationery .....	2 12	6
,, 7.	Sales to C. Kent .....	131 10	6
,, 8.	Recd. Cash for Bad Debt previously written off	15 10	9
,, 9.	Bought Goods of D. Lancs .....	50	-
,, 10.	Received Cash of A. Berks .....	75	-
	Wrote off Balance on his A/c. as a Bad Debt	25	7 6
,, 11.	Cash Sales .....	75 10	-
,, 13.	Cash received from C. Kent .....	100	-
,, 14.	Paid Wages .....	10	7 6
,, 15.	C. Kent bought Goods .....	41	9 6
,, 16.	Cash Purchases .....	68	10 4
,, 17.	Paid D. Lancs Cash £124; Dis. allowed £1 5 12 5	5	-

Jan. 18.	F. Yorks purchased Goods .....	£30 - -
,, 20.	Cash recd. of B. Devon £74; Dis. allowed £1 5 75 5 -	
,, 21.	Purchases from G. Notts .....	128 18 6
,, 22.	Paid F. Yorks Cash £49; Dis. allowed £1 15 50 15 -	
,, 23.	Sales to B. Devon .....	112 2 3
,, 24.	Paid Cash to D. Lancs £98; Dis. allowed £2 100 - -	
,, 25.	Paid Wages .....	10 7 6
,, 28.	B. Devon bought Goods .....	33 - -
.. 29.	Bought Goods of F. Yorks .....	76 4 6
,, 31.	Drew Cash for private purposes .....	20 - -
,, 31.	Interest on Capital .....	4 10 - -
	<i>Goods on hand £366 - 4d. (Cash Bal. £469 - 5d.).</i>	

National Union of Teachers. (*Elementary, 1909*).

1. Give the meanings of the following :—Account, Commission, Posting, Solvent, Sterling, Voucher. 2. Rule a model Sales Book, and enter two of the following items to each of two names (and dates) of your own choice :—6 gross buttons at 5d. per doz.; 20 yds. silk at 10/6 yd.; 5 doz. hats at 2/6 each; 90 ties at 2/- per doz. 3. Each day, from Monday to Saturday (six days), a costermonger bought 17/6 worth of fruit. His takings were 23/- daily. On Saturday night he reckoned he had 2/6 worth of fruit left. Make out an A/c., showing his profit for the week.

Ex. On 1st Jan., 1900, the state of Francis Fair's business was as follows :—Cash in hand £365, Goods on hand £420. Debtors :—B. Best £115; D. Dean £80; K. Kew £315. Creditors :—L. Lord £205; Y. Young £90. Enter, post, prepare T.B., and balance.

Jan. 1.	Paid Rent .....	£25 - -
,, 2.	Recd. of K. Kew £197 10 - ; Dis. allowed £2 10 - .....	200 - -
,, 4.	Paid Water Rate .....	5 5 -
,, 6.	Sales to K. Kew .....	120 15 6
,, 7.	Recd. Cash for a Bad Debt written off last year	24 12 8
,, 8.	Bought Goods of L. Lord .....	65 10 6
,, 9.	Received Cash of B. Best .....	102 12 6
	Wrote off the balance of his debt as bad .....	12 7 6
.. 11.	Cash Sales .....	90 3 4
.. 12.	Cash Purchases .....	70 13 4
,, 13.	Recd. Cash of K. Kew £113 12 6; Dis. allowed £1 7 6 .....	115 - -
,, 14.	Pd. L. Lord Cash £146 5 - ; Dis. allowed £3 15 -	150 - -
,, 15.	K. Kew bought Goods .....	32 8 4
,, 16.	Paid Wages .....	8 15 -
,, 18.	Y. Young purchased Goods .....	35 7 6
,, 19.	D. Dean paid me £78 8 - ; Dis. allowed £1 12 -	80 - -
,, 20.	Purchases from N. Nash .....	136 10 -
,, 21.	Paid Y. Young Cash £53; Dis. allowed £1 12 6	54 12 6
,, 22.	Sales to D. Dean .....	120 13 4
,, 23.	Paid Wages .....	8 15 -
,, 25.	Paid L. Lord Cash £53 12 6; Dis. allowed £1 7 6 .....	55 - -

Jan. 26.	D. Dean bought Goods .....	£24 16 8
,, 27.	Paid N. Nash Cash £35; Dis. allowed £1 10 -	36 10 -
,, 28.	Y. Young sold me Goods .....	85 10 9
,, 29.	Drew Cash for Self .....	25 - -
,, 30.	Paid Salaries .....	35 - -
,, 30.	Interest on Capital .....	4 3 4
	Stock on hand £495. (Cash Bal. £505 13 2).	

National Union of Teachers. (*Elementary*, 1910).

1. If you were a clerk in an office, and somebody brought you the Purchases Book and told you to post it, describe fully what you would do. 2. John Baker, merchant, had cash in hand £100 and goods on hand £200. His creditors were :—B. Black, £130; G. Green, £250; W. White, £120. His debtors were :—B. Bray, £50, and M. May, £80. Make out a B/S. and say what it tells you about the state of his business. 3. Open a ledger a/c. for Geo. Scott. Debit him with balance £20. Charge him £1 interest. Credit him with cash £15 and goods £20. Debit him with goods £40 and charge him £2 carriage. Balance his a/c., bring down the balance, and say whether he or you must pay it.

Ex. On 1st Jan., 1910, the state of George German's business was as follows :—Cash, £420; Goods, £510. *Debtors* :—A. Ayres, £120; B. Baird, £75; C. Cass, £250. *Creditors* :—D. Dan, £145 and E. Euston, £35. Find and credit Capital. Enter the transactions in suitable books, post, draw out T.B., balance and make out P. & L. A/c. and B/S.

Jan. 1.	Received Cash of A. Ayres .....	£104 12 6
	Wrote off his Balance as Bad Debt .....	15 7 6
,, 2.	Recd. Cash of C. Cass .....	147 17 6
	Allowed him dis. .....	2 2 6
,, 3.	Paid for Stationery .....	2 13 4
,, 4.	Cash Sales .....	95 4 6
,, 5.	Cash Purchases .....	85 3 4
,, 6.	Sold Goods to C. Cass .....	145 10 4
,, 8.	Paid Wages .....	7 15 6
,, 10.	Purchased Goods of D. Dan .....	75 10 8
,, 11.	Received Cash for a Bad Debt written off...	25 5 -
,, 12.	Paid for Painting Premises .....	10 3 6
,, 13.	Drew Cash for Self .....	15 - -
,, 14.	Charge B. Baird int. on his overdue a/c....	1 1 6
,, 15.	C. Cass paid me Cash .....	98 13 4
	Allowed discount .....	1 6 8
,, 17.	Cash paid to D. Dan, £107 12s. 9d. Dis...	2 7 3
,, 18.	Sales to C. Cass .....	47 15 2
,, 19.	E. Euston bought Goods .....	32 10 9
,, 20.	Received Cash of B. Baird .....	76 1 6
,, 21.	F. France sold me Goods .....	160 7 6
,, 22.	Paid E. Euston Cash, £20 10s. Dis. in addition .....	1 19 3
,, 22.	Paid Wages .....	7 15 6

Jan. 24.	Sales to B. Baird .....	£110 10	8
" 25.	Pd. D. Dan Cash, £33 18s. 6d. Dis. in addit'n	1 1	6
" 26.	Bought Goods of F. Euston .....	130 15	5
" 27.	B. Baird purchased Goods .....	34 9	4
" 28.	Pd. F. France Cash, £58 10s. He allowed dis.	1 10	-
" 29.	Paid Salaries .....	32 17	6
" 31.	Interest on Capital .....	5	-
	<i>Goods on hand, £482 13s. 9d. (Cash Bal. £585 14s. 5d.).</i>		

National Union of Teachers. (*Elementary*, 1911).

1. Rule a model Petty Cash Book. Enter £10 Cash in hand. Pay for six different items of expense, and balance your books for commencing the next period. 2. When a merchant keeps his books by Single Entry he neglects to keep certain a/cs. Which are they? Explain how he finds the profit he has made during the year.

Ex. On 1st March, 1911, Samuel Sparrow, Merchant, had Cash, £360 10s. 6d.; Goods, £450 15s. *Debtors* :—James Crow, £220 12s. 6d.; Thomas Finch, £150 17s. 6d.; John Jay, £270 4s. 6d. *Creditors* :—Louis Lark, £180 17s. 9d.; Robert Rook, £200 2s. 3d. Find and credit his capital. Enter in suitable books, post, draw out a T.B., balance the a/cs., and make out a P. & L. A/c. and B/S.

Mar. 1.	Samuel Sparrow drew Cash for self .....	£20	-
" 2.	Received Cash from J. Crow, £210; Dis. ...	10 12	6
" 3.	Paid for Postages .....	1	7
" 4.	Cash Purchases .....	210	5
" 5.	Sold Goods to J. Crow .....	175	6
	Charged him for carriage pd. on above Goods	112	4
" 6.	Received Cash of T. Finch £147; Discount	3 17	6
" 7.	Paid Rates .....	4 15	-
" 8.	Cash Sales .....	130	2
" 9.	T. Finch bought Goods .....	180	13
" 10.	Sales to L. Lark .....	50	-
" 11.	Paid L. Lark Cash £127; Received discount	3 17	9
" 12.	Sales to H. Robin .....	135	11
" 13.	Purchases from L. Lark .....	215	10
" 14.	Paid R. Rook Cash £195; Received discount	5 2	3
" 15.	Received Cash from H. Robin .....	35	11
" 16.	J. Crow bought Goods .....	28 10	-
" 17.	R. Rook sold me Goods .....	165	6
" 18.	Recd. Cash of John Jay in full settlement ...	255	10
" 19.	Wrote off his balance as Bad Debt .....	14 14	6
" 20.	Bought Goods of Charles Wren .....	54	2
" 21.	Received Cash for a Bad Debt written off two years ago .....	27 15	-
" 22.	Purchases from R. Rook .....	45 10	2
" 23.	Paid R. Rook Cash .....	100	-
" 24.	Received Cash from J. Crow .....	77	-
" 25.	Paid Wages .....	16 17	6
" 26.	Paid Rent .....	25	-
" 27.	Interest on Capital .....	4 10	-
	<i>Stock on hand, £529 14s. 9d. (Cash Bal. £541 11s. 1d.).</i>		

National Union of Teachers. (*Elementary, 1912*).

1. What is meant by an entry, a posting, a debit, a balance, an account, a sales ledger, a limited company? 2. In space No. 20 of your Ledger make out a model Profit & Loss A/c. showing a balance of £150 profit. The a/c. should show three different items of loss and two items of profit.

**Ex.** On 1st Jan., 1912, Henry Hart had Cash in office, £120; Cash at Bank, £425 12s. 6d.; Goods on hand, £550 10s. *Debtors* :—A. Allen, £210 15s. 6d.; B. Best, £360 4s. 6d.; C. Crane, £120 7s. 6d.; D. Dare, £175 10s. *Creditors* :—E. Eley, £130 6s. 8d.; F. Fish, £280 13s. 4d. Find and credit his Capital. Enter in suitable books, post the Ledger, draw a T B., balance the a/cs., and make a Profit & Loss A/c. and B/S.

Jan. 1.	Charge A. Allen interest on his overdue a/c.	£1 1 8
	Purchased Goods with Cheque .. . . .	215 7 6
,, 2.	Recd. Cheque in full discharge of Dare's a/c.	153 11 3
	Wrote off his balance as Bad Debt.	
,, 3.	Received Cheque from A. Allen .. . . .	211 17 2
,, 4.	A. Allen bought Goods of me .. . . .	180 12 6
	Paid Charges for him from Office Cash .. . .	1 7 6
,, 5.	Received Cheque from A. Allen .. . . .	82 -
,, 6.	Sales to A. Allen .. . . .	57 3 4
	Paid Wages from Office Cash .. . . .	4 10 -
,, 8.	B. Best sent his cheq., £351; allowed Dis....	9 4 6
,, 9.	Sold Goods to B. Best .. . . .	250 10 2
	Paid Rent with Cheque .. . . .	20 -
,, 10.	Purchases from C. Crane .. . . .	25 10 -
,, 11.	Recd. Cheque from C. Crane, £90 10 6; Dis.	4 7 -
,, 12.	C. Crane bought Goods .. . . .	110 8 4
,, 13.	Paid Rates with Office Cash .. . . .	6 3 4
	Received a Cheque for Goods .. . . .	150 6 8
,, 15.	Received Cash for a Bad Debt .. . . .	16 5 -
,, 16.	Posted a Cheque to E. Eley, £127 10s.; Dis.	2 16 8
,, 17.	Bought Goods of E. Eley .. . . .	155 7 6
	Drew Cheque for self .. . . .	25 -
,, 18.	Drew a Cheque for E. Eley .. . . .	105 7 6
,, 19.	E. Eley sold me Goods .. . . .	140 13 4
,, 20.	Paid Wages with Office Cash .. . . .	4 10 -
,, 22.	F. Fish bought Goods .. . . .	120 -
,, 23.	Posted Cheque to F. Fish, £147 6 8; Dis....	3 6 8
,, 24.	Purchases from F. Fish .. . . .	245 4 10
,, 25.	Bought Goods from K. King .. . . .	78 2 6
,, 26.	Sent King a Cheque for half cost of Goods...	39 1 3
,, 27.	L. Lane bought Goods of me .. . . .	120 1 3
,, 29.	Sent Cash to Bank .. . . .	100 -
,, 31.	Interest on Capital .. . . .	6 13 4

*Goods on hand, £241 3s. 8d. (Cash Bal. £19 14s. 2d.; Bank Bal. £885 5s. 2d.).*

## BILLS OF EXCHANGE.

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131. Payments in coins, notes, and cheques, are not the only methods adopted in the commercial world for the transfer of money. **BILLS OF EXCHANGE or DRAFTS**, which are stamped promises to pay a sum of money on a given date, play an important part in the transactions of modern business. A Bill of Exchange is an instrument intended to enable a creditor who has funds in the hands of a debtor to transfer them, or a part of them, to himself or to a third party. These documents are the means of expanding or contracting credit to meet the varying demands of trade and are usually employed (*a*) where it is inconvenient to make immediate or direct payment of cash; or (*b*) in order to observe the custom of some particular trade.

132. During the course of your business life you may wish to make a purchase of goods and to take advantage of the state of the market just at a time when you have not at your command sufficient cash for the purpose. Knowing full well, however, that a few months hence you will have ample cash, and not wishing to miss the chance of making a bargain you propose to purchase from Merchant & Co., goods to the value of £200. You inform that firm of your inability to pay for the goods at once, but relying on your trustworthiness, they invoice you the goods, and draw a three months' bill, which you accept, thereby promising to pay the £200 at the expiration of that period. The discount which Merchant & Co. might have allowed you for prompt cash payment, is, of course, forfeited.

133. The chief advantages of a B/E. are :—(1) It is a convenient method for the transfer of debts and a perfect mechanism for the settling of credit transactions; the trouble, risk and expense of transmitting coin or notes being avoided, as a bill is generally discharged through the medium of the banks. (2) It is a legal acknowledgment, and not a mere record of a debt, whereby the exact amount is stated and the exact

time of payment is fixed, thus ensuring punctual payment from otherwise dilatory customers. (3) It is a negotiable instrument and exchangeable for cash, working capital being thereby increased. A creditor may have thousands of pounds of *book debts* and still be financially embarrassed; but if he can arrange for some of his debtors to discharge their indebtedness by B/E. he will then be able to gain financial relief by negotiating—cashing—some of the bills. Merchant & Co. could deal with your bill in three ways : (a) retain it until it became due, (b) transfer it by endorsement to a creditor, (c) discount it, i.e., they could obtain the value of the bill before the expiration of the three months from a banker or bill broker, subject to the deduction of a small discount. (4) Prompt legal recovery in case of dishonour—non-payment. Should you fail to pay the amount when due it would not be necessary for Merchant & Co. to commence an action against you for the *price of goods supplied*, but simply for payment of the amount, interest and expenses of the dishonoured bill—the fulfilment of your promise to pay. If you raised any pleas, as to non-delivery of goods, short weight, inferior quality, excessive price, &c., they would all be of little avail in the face of your written promise to pay the amount, which legal acknowledgement would be taken as almost conclusive evidence of your indebtedness. (5) It gives you, the debtor, time to convert the goods purchased into money, and thus enables you to provide the cash to discharge the B/E. when it becomes due.

**134. A BILL OF EXCHANGE (B/E.)** according to the Bills of Exchange Act, 1882 (45 and 46 Vict., chap. 61), "is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to or to the order of a specified person, or to bearer." An instrument which does not comply with these conditions, or which orders any act to be done in addition to the payment of money is not a B/E. A Bill payable on marriage would be invalid, as the event may never happen.

while one payable on death is valid. There are two kinds of Bills:—Inland and Foreign; the former being those both drawn and payable in the British Islands, which include the Channel Islands and the Isle of Man.

EXAMPLE OF DRAFT.

No. 1. £200. HUDDERSFIELD 18<sup>th</sup> August, 1907.

Impressed
Stamp
Two
Shillings.

THREE MONTHS after date, pay to our order  
TWO HUNDRED POUNDS, value received.

To Mr. Albert Pugh,  
113 New Street, Leeds.

MERCHANT & CO.

135. It is usual for the Drawer to consult his own convenience as to how he shall direct the drawee to pay the money:—(1) at what time; (2) at what place; (3) to whom. For instance, the bill may be payable: (1) at sight, six months after date or after sight; (2) in London, or at the Union Bank; (3) to the drawer, to a third party, or to a bearer. In practice there are five essentials in drafting a bill, which is generally done by filling up either a blank bill stamp or a lithographed form already *impressed* with a stamp sufficient in value to cover the stamp duty payable thereon.

1. The Date should be so clearly written at the top right-hand corner of the draft that it cannot be easily altered, as the term or period of the bill generally commences to run from the date. A bill issued undated, is not invalid, and any holder may insert the true date, or what he believes to be the true date, and the bill is then payable accordingly.

2. The Term (*Three months after date*), sometimes called the Currency or Tenor of a bill, is the period intervening between the date upon which the bill is drawn and that upon which the amount becomes due.

3. The Amount (known as the contents of a bill), should be accurately stated at the top left-hand corner in figures, and in the body of the draft in words.

**4.** The Parties necessary to every bill, number three, though sometimes the functions of two of these parties are performed by the same person. They are called the **Drawer**, the **Drawee**, and the **Payee**.

(a) The **Drawer** is the party who writes out or drafts the bill, which he signs at the foot, as *Merchant & Co.* The **Drawer** is supposed to be the Creditor of the **Drawee**.

(b) The **Drawee** is the person to whom the order or request for payment is addressed, as *Albert Pupil*.

(c) The **Payee** is the party to whom the money is to be paid. In the above example the **Drawer** and the **Payee** are the same—*Merchant & Co.*, “pay to our order” means pay to *Merchant & Co.*, or to any other person whom they may authorise by endorsement. Instead of the words “our order” they might have inserted *Lee & Co. or order*, in which case the bill would have been payable to *Lee & Co.*, and there would then have been three different parties concerned. A bill may be made payable to the holder of an office, thus:—“The Secretary, Halifax Chamber of Commerce”; or “The Treasurer, York Infirmary.”

**5.** The Stamp. Before being drafted most inland bills require to be *impressed* with *ad valorem* (according to value) stamp duty at the rate of 1/- for every £100, and also for any fractional part of £100 if the bill exceeds £100. When the amount—

does not exceed £10 the stamp required is	2d.
Exceeds £10 and does not exceed £25 stamp	3d.
„ £25 „ „ £50 „	6d.
„ £50 „ „ £75 „	9d.
„ £75 „ „ £100 „	1s. 0d.

Bills payable “on demand,” “at sight,” or within *three days after date or sight*, for whatever amount, only require a *twopenny stamp* either impressed or adhesive, but if the latter it must be cancelled by the drawer of the bill. A Bill payable with interest does not affect the stamp, unless a specific sum is named,

though the interest be payable from a date antecedent to the date of the Bill. Bills drawn in the Channel Islands and the Isle of Man are *foreign bills so far as the Stamp Act is concerned*. A foreign bill *negotiated* in the U.K. but drawn as well as payable *out* of the U.K., is only liable to an *ad valorem* stamp duty of 6d. for every £100. The Penalty for issuing or negotiating unstamped bills is £10.

136. Unlike other contracts, the consideration for a B/E. is presumed till the contrary is made probable. Although it is superfluous it is nevertheless the custom to add to a bill the words *value received*. They are intended to imply that the bill has been given in exchange for a consideration, that is, actual or real value or benefit previously received in the form of goods, cash, or services.

137. Procedure relating to transactions in Bills. In order to grasp fully dealings in bills you will find it instructive to follow the procedure concerning a few simple transactions. On receipt of the cloth purchased from Merchant & Co., on the 2nd August, you would, of course, inspect its condition and generally compare the particulars on the invoice with the material itself. If any discrepancy occurred, as short lengths, excessive price, inferior quality, or damaged pieces, you would at once communicate the fact to Merchant & Co. Assuming, however, that you have made no complaint about the cloth, all being in perfect order, you would in the course of a few days receive from Merchant & Co., a draft for £200 enclosed in a letter as follows:—

50 King Street,

HUDDERSFIELD, 18th August, 1907.

Albert Pupil, Esq.,

113 New Street, Leeds.

Dear Sir,

We beg to enclose a three months' draft on you for £200 which we will thank you to accept and return to us, made payable in London.

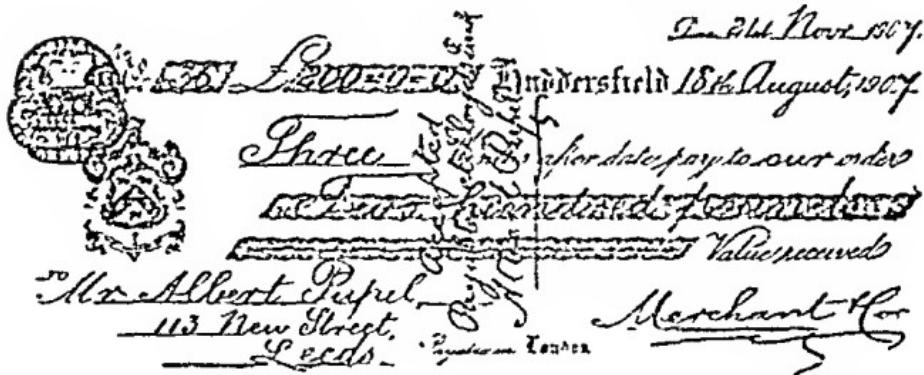
Yours faithfully,

MERCHANT & CO.

On receipt of the above you would refer to your Ledger to see that the amount was correct, and after

carefully examining the draft would accept it, when it would appear as follows :—

EXAMPLE OF BILL OF ACCEPTANCE.



138. To ACCEPT A BILL is to signify your assent to the order of the Drawers—Merchant & Co., by writing your name across the face of the Bill, thereby engaging to pay the amount specified when due. Before accepting the bill you were merely the Drawee, but having now made yourself liable to pay the £200 in three months, by accepting the bill, your capacity is changed to that of Acceptor. The bill may now be termed an Acceptance, the simple meaning of which is "I will pay." An acceptatee is not binding when given by any other person than the Drawee; thus, if a bill be drawn on Henry Brook, and be accepted by Henry Wild, the latter would not be liable on the bill. The Drawee is entitled to retain the bill for 24 hours, but after that he must re-deliver it accepted or unaccepted. The Drawee may sign before the Drawer's signature is written, or he may sign a blank stamped form. Acceptanee are divided into general and qualified. A general or clean acceptatee assents, without qualification, to the order of the drawer. The naming of the place of payment without adding *and there only* does not take it out of the general class. A qualified acceptatee is one which, in express terms, varies the effect of the bill as drawn. The qualification may be conditional, partial,

local, periodical, or the acceptance of one or more of the drawees, but not all, as :—

*Accepted on condition of three months' renewal.*

*Accepted for £100 only.*

*Accepted payable at Toyds Bank, and there only.*

*Accepted payable in four months.*

The holder of a bill may refuse to take a qualified acceptance, and may at once treat the bill as dishonoured by non-acceptance for want of a general acceptance. If he takes a qualified acceptance it will bind the acceptor and all subsequent parties, but it will not bind those who have already drawn or endorsed, unless they have authorised it or assent to it expressly or by implication, and they will consequently be discharged on the holder taking it. While the signature of the acceptor is alone *essential* in accepting a bill, it is nevertheless customary to preface the word *Accepted* and add the place of payment, which, if omitted, is taken to be the usual place of business of the acceptor. The place of payment is known as the *domicile*, and the above bill will be a *Domiciled Bill*, because the place of payment is stated. After accepting the bill and making the entries in your books you would write a note returning the Acceptance to Merchant & Co.

**139. DAYS OF GRACE.** Now this bill would become due or mature on the 21st November, 1907, being three calendar months after its date, plus *three extra days* which are known as *days of grace*. According to an old custom, no B/E., except those payable on demand or at sight, is really payable in the U.K. until three days after the expiration of the currency or term of the bill. These three days must be added to the term before you can arrive at its *due date*. Originally they were merely a matter of indulgence, grace, or favour, but they have now acquired legal force, and must be allowed unless the bill otherwise provides, as—“On the 2nd June fixed pay,” or “Six months after date, without grace, pay.”

**140. MODE OF PAYMENT.** A few days before the bill became due, or arrived at maturity, it would be necessary for you, the payer, to inform your banker, that the payees, Merchant & Co., would be presenting

to your banker's London Agents—*Lloyds Bank*—the bill for payment. You would notify or advise him of this by means of an—

**141. ADVICE SLIP**, which is a formal note, containing particulars of bills, addressed to a banker, advising or requesting him to pay or honour the bills specified, and to debit the a/c. of the acceptor with the amount. Bills presented for payment are frequently dishonoured for want of advice, or as is sometimes termed, *No Orders*.

Acceptor	Drawer	Date	Term	Amount
<i>Albert Pupil .</i>	<i>Merchant &amp; Co</i>	18 Aug	3 mos.	200   -   -

*To the West Riding Banking Co., Ltd.,  
Please advise Lloyds Bank, to honour the above acceptance,  
amount £200 0 0, and charge the same to account of  
ALBERT PUPIL.*

*Leeds, 18th November, 1907*

**142. On PRESENTATION** of the above bill, by Merchant & Co.'s Bankers to *Lloyds Bank*, the latter would pay the former the amount and take possession of the matured bill on your behalf. When a bill is thus disposed of, it is said to be honoured, redeemed, taken up, met, lifted; all of which denote payment. The next time you had your Pass Book entered up at the Bank you would find that your a/c. had been debited with the £200, which had been paid to meet your acceptance. Therefore, on *advising* the Bank to meet a B/P., always either record the transaction in the Journal—*B/P. Dr. to Bank*, or, in practical work, on the Cr. side of Cash Book :—*Nov. 18, By B/P. £200.*

**143. PAYMENT OF BILLS.** A bill is said to be discharged or extinguished when duly paid at maturity directly on presentation, which is called by business men a *payment in due course*. The discharge of a bill is effected either by the holder's receipt on the back of it, or by simply cancelling it. The bill thus discharged is, in both cases, returned to the drawee or his banker.

Every bill (except those on demand or at sight) must be presented for payment either to the acceptor, or to the bank where it is made payable, on the last day of grace. Failure to observe this would result in all the parties to the bill, except the acceptor, being discharged from their liability. When a bill is accepted on condition of the presentment at a particular place *and there only*, or with words to the like effect, also where a Promissory Note is expressed in the body to be payable at a particular place, it must be presented even to charge the acceptor. Should the last day of grace fall on Sunday, Christmas Day, Good Friday, or a public fast or thanksgiving day, it is payable on the preceding business day; if on a Bank Holiday, then on the succeeding business day. If a bill is lost before it is overdue the drawer may be compelled to give a duplicate to the person who was the holder, upon his giving sufficient indemnity against the claims of any person who may become possessed of the lost bill. The loser should immediately give notice of the loss to the parties liable on the bill, and a public advertisement should also be given. The party who has lost the bill must, nevertheless, make application to the drawee for payment at the time it is due, and give notice of dishonour.

**144.** You will observe in Ex. 31, 10th August, that you *Received from A. Brand his acceptance at 1 month for £100.* This transaction signifies that A. Brand owed you £100; and that you drew a draft upon him for the amount; which he returned to you duly accepted.

#### EXAMPLE OF ACCEPTANCE

No. 1.	<b>£100.</b>	HUDDERSFIELD,
Impressed Stamp One Shilling	ONE MONTH after the sum of ONE value received.	10th August, 1907
		date pay to my order,
		HUNDRED POUNDS
To Alfred Brand, Esq., Dock Street, Hull.		Accepted Payable at Glyn, Mills & Co., London, Alf. Brand.
		ALBERT PUPIL.

**145.** This bill, of which you are the holder, would become due on the 13th September, 1907. Three or four days before that you would endorse it, and, along with a Credit Slip (see par. 67), hand it to your banker, just as you would a cheque, for collection, from Glyn, Mills & Co., who would pay the amount on behalf of Alf. Brand, and thus meet, honour, or redeem the bill. Your banker would, of course, credit your a/c. with the amount he had received in respect of the bill. On paying bills into bank for collection, either record the transaction in the Journal :—*Bank Dr. To B/R.*, or on the Dr. side of the Cash Book :—*Mar. 10, To B/R., £185 12 6.*

**146. ACCOUNTS OF BILLS.** It will be quite clear to you that the above bill is Payable by the person accepting it, viz., Alf. Brand; and Receivable by the person holding it, viz., yourself. Therefore, in recording transactions concerning bills, you would call those going Out, *which you have accepted or undertaken to pay*, Bills Payable; and those coming in, *which you hold from others*, Bills Receivable. Previous to Alf. Brand accepting your bill for £100, that amount stood to his debit in a personal a/c. in the ledger, but immediately he accepted the bill his indebtedness changed from the form of a *book debt* to that of a *negotiable instrument*, a written promise to pay, which is a Bill Receivable to you. This Bill is something real and tangible with which you can deal and for which you can obtain money, or use for the payment of a debt. Hence the a/cs. of Bills Payable (B/P.) and Bills Receivable (B/R.) must be regarded as Real a/cs., the rules for entering which, you will remember, are :—Value coming In is Dr., value going Out is Cr. You must not fail to remember that it is the acceptance which gives the bill its *value*, therefore no entry must be made until the Bill is accepted. **B/R.**—On an acceptance coming in or being received by you, as from Alf. Brand, you would journalise it thus :—*B/R. Dr. £100, To Alf. Brand, £100.* (See par. 171). And on the arrival of the *due date*, when the Bill goes Out, on being honoured or paid by Alfred Brand, thus :—*Bank or Cash Dr. £100, To*

B/R. £100. In *practical work* the entry in the Cash Book would be on the Dr. side, thus:—To B/R. £100.

As mentioned in par. 133, the holder of a Bill may negotiate it, i.e., endorse and pay it away to a creditor, as in Ex. 40, where T. Long's acceptance is paid by you to W. Hill, which transaction would be journalised thus:—William Hill, Dr. To B/R. £196 19 10.

**B/P.** The acceptance by you on 18th August of Merchant & Co.'s bill represented a bill going Out and would be journalised thus: Merchant & Co., Dr. £200. (See par. 172.) To B/P.....£200. and on its coming In and being honoured by your banker (See par. 142) thus:—B/P.....Dr. £200, To Bank £200. In *practical work* the entry in the Cash Book would be on the Cr. side, thus:—By B/P. £200.

**Bills Receivable** always come In first and are therefore debited, and when paid or honoured they go Out and are returned to the acceptor, therefore the a/c. is then credited. **Bills Payable** always go Out first and are therefore credited, and when paid or honoured by you they come In and are returned to you by the holder, therefore the a/c. is then debited. You will notice that when a bill is honoured either at the bank or in cash you do not debit or credit the person, but one of the Bill a/es. and bank or cash. **Accounts of Bills** are balanced in the same way as other real a/cs., the difference of a B/R. a/c. representing an *asset* or bills in hand. The total *value* of the bills in your bill-case should correspond exactly with the balance of the B/R. a/c. The difference of a B/P. a/c. represents a *liability*, or bills which you have accepted. This balance should be compared with the total of the unpaid bills recorded in the bill book.

The following accounts illustrate the records connected with the B/E. in Exercise 34.

Dr.	Cash Book.				Cr.	
	Receipts.	Office.	Bank		Payments.	Bank.
	To Bills Rec. A/c. (Salt)	£	£	1907	By Bills Payable A/c. (Brown)	£
1907 Aug. 15		148		Aug 5		100
" 23	" Bills Rec. A/c. (Mart)	50		" 28	" Bills Payable A/c. (Jones)	115

## Ex. 34. Bills Receivable Book. (Abridged Form).

Date	From whom recd.	Term.	When due	L.F.	Amount.
				Cr.	£ s. d.
1907					
Aug. 10	Alfred Brand.....	1 month	13th Sept.	100	- -
" 24	Matthew Paul ....	2 months	27th Oct.	75	- -
	Bills Receivable A/c...Dr.			£ 175	-

## Bills Payable Book. (Abridged Form).

Date.	To whom given.	Term.	When due.	L.F.	Amount.
				Dr.	£ s. d.
1907					
Aug. 18	Merchant & Co....	3 months	21st Nov.	200	- -
	Bills Payable A/c.. Cr.			£ 200	-

## Dr. Alfred Brand. Cr.

1907		£	1907		£
Aug. 1	To Cloth .....	125	Aug 10	By Cash .....	25
" 18	" Cloth .....	96	" 10	" Bill Receivable ..	100

## Dr. Matthew Paul. Cr.

1907		£ s. d.	1907		£ s. d.
Aug. 1	To Balance b/f ...	72	Aug 6	By Cash & Dis. ....	72
" 6	" Cloth .....	87 15	" 24	" Cash .....	83
" 18	" Cloth .....	62 5	" 24	" Bill Receivable ..	75

## Dr. Bills Receivable A/c. Cr.

Bills Receivable come in for Goods or Value.		Bills Receivable go out for Cash or Discount.	
1907		1907	
Aug. 1	To Balance b/f	£	£
	(Sal. & Mart. & B/R),	198	148
" 10	" Alfred Brand....	100	50
" 24	" Matthew Paul.....	75	175
		£973	£378
Sept. 1	To Balance b/d .....	175	

## Dr. Bills Payable A/c. Cr.

Bills Payable come in for Cash on maturity.		Bills Payable go out for Goods or Value.	
1907		1907	
Aug. 5	To Cash (Brown).....	£	£
" 25	" Cash (Jones) .....	100	215
" 31	" Balance c/d. being B/P not matured	115	200
		200	£115
		£415	
Sept. 1	By Balance b/d.....		900

of settlement would be by drawing upon such agent or customer. On reference to Ex. 35 you will find that you have a customer at Chicago—Neal Dow—who owes £315. The best course for you to adopt then would be to draw a Bill of Exchange upon Neal Dow for £204 5 6 in favour of Henry Clay. As you merely transfer £204 5 6 from Dow to Clay, the Journal Entry would be :—*Henry Clay Dr. to Neal Dow, £204 5 6.*

VIA OF FOREIGN BILL.

No. 6. Exchange for \$1000 52c.

Huddersfield, 20th September, 1907.

Stamp  
Three  
Shillings

*Sixty days after sight, pay this First of Exchange (Second and Third of the same tenor and date not paid) to the order of Henry Clay, the sum of One Thousand Dollars and fifty two cents, value received, and charge the same to my account.*

ALBERT PUPIL.

To Neal Dow, Esq.

10 Sixth Avenue, Chicago, U.S.A.

150. The drafting of foreign bills is somewhat different from that of inland bills. Instead of merely drawing one document you draft two or three, and these are called a *Set of Bills*. One object of this is to obviate delays and avoid inconvenience in case of the loss or miscarriage of one of them. Another object is that the first of the set may be sent abroad to an agent or banker, so that he may secure acceptance; while another of the set is put into circulation and sold to the bill brokers, thus allowing the drawer or endorser to realise the amount of the bill, at the same time that the "first" is going forward for acceptance. As you will see, the only variations in the form of the three bills will be the words, *first, second, and third*.

In the First via the words must be *Second and Third*.

" Second               "               First and Third.

" Third               "               First and Second.

Only that via of a foreign bill need be stamped, which is used or negotiated. In addition to the revenue stamp *impressed* in the country where it is drawn, it also requires the *adhesive* revenue stamp of the country where it is domiciled or made payable; therefore the above bill would require stamping on its arrival in the

United States. On the receipt, in this country, of a foreign bill it is the duty of the holder, first, to present it for acceptance, and, secondly, to affix thereto and cancel a proper adhesive bill stamp of sufficient amount; after which the bill may be negotiated. It is customary to state the amount of a foreign bill in the currency of the country where it is made payable. The rate of exchange on the day of the date of the bill is used for stamp purposes, but the rate on the day the bill is payable for purposes of payment. The absence of a foreign stamp on a foreign bill does not affect the right of any person to sue in this country, provided the Bill has been stamped according to English Law.

**151. PROCEDURE with Foreign Bills.** As drawer of the above bill you would forward the *stamped copy* to H. Clay, and by a later mail a second copy, so that should the first have been lost by shipwreck, or have miscarried, the second would be available. You would retain the third copy until it was known whether either of the others had been received; if both were lost, it would require stamping and forwarding, otherwise it would be of no use, and might be destroyed, as might also the second if the first had reached its destination. By the same mail as you sent Clay his first bill, you would write to Neal Dow advising him of the fact, and requesting him to accept the bill when presented by Clay.

**152. AFTER SIGHT.** The term of the above bill is *Sixty days after sight* instead of after date. By the use of this phrase in foreign bills the inequalities arising from varying distance and means of communication are equalised. The term or period of the above bill, is calculated *not* from the *date* of the *drawing* of the bill, 20th September, but from the date when the bill is *sighted* or *seen* and accepted by the drawee, Neal Dow. Hence it is very important that Clay on receiving the bill should immediately take it to Dow for acceptance and that Dow when accepting it, should note the date of acceptance, which would probably be as follows :—

“ Accepted 30th September, 1907.  
Payable at the National Bank, Chicago,  
Due 2nd December.  
Neal Dow.”

**Payment.** When this bill arrived at Maturity Dow would pay the amount to Clay, Dow having debited your a/c. with the same on acceptance. You would thereby be saved the trouble and expense of remitting Cash to Clay, he having been paid by your debtor.

**153. EXCHANGE** is a term applied to the remittances of money between different countries, by which sums in the money of one country are exchanged for sums of equivalent value in the money of another. In other words, the method adopted by a debtor for the payment of a debt due to a foreign creditor, without the transmission of specie or coin. As a consequence of commerce there at all times exists a mutual indebtedness between countries having commercial intercourse with each other. For instance, while there are several persons in Paris indebted to others in London, there are also a number of persons in London debtors to Parisians. Therefore in case you wished to remit to B., your creditor in Paris, £100, and you had no agent, banker or debtor in that city, a good method of settlement would be by buying a bill payable at Paris, and forwarding it to your creditor. The question now arises, where and how are you to buy this bill? If you wish to purchase corn, cattle, leather, wool, tea, etc., you would either attend the markets at which they were sold, or employ a factor, dealer, or broker to purchase on your behalf. Foreign B/E. are to be bought in a similar way. There are Bill Brokers whose chief business it is to deal in B/E. Merchants communicate their wants for bills to these brokers, who also ascertain those merchants who have debtors abroad, and the brokers thus discover the side upon which the greater demand lies, for money or for bills. These brokers meet on market days, Tuesdays and Thursdays, at the Royal Exchange, London, and determine the course of the day or Rate of Exchange, between one country and another. The Rate of Exchange or *Price List of Bills* is based upon the

**154. PAR OF EXCHANGE**, which means that sum in the currency of one country, which, in its *intrinsic* or

*real value*, is equal to a specified sum in the currency of some other country. In other words, when money of the same standard and weight in one country, yields money of the same standard and weight in another, the exchange is then said to be at *par*. Gold and Silver when refined and coined into money, no matter by what country, becomes of about equal fineness or purity, so that the same weights are, for all commercial purposes, of equal value. Thus, according to the mint regulations of Great Britain and France, £1 sterling is equal in its intrinsic value to 25 francs, 22 centimes of French money; and therefore, the par of exchange between London and Paris is 25frs. 22c. If more than that sum is given us, say 25frs. 30c., the exchange is *below par* and against Paris; if, on the other hand, £1 sterling should be accounted equal only to 25frs. 15c., the exchange is *above par*, being in favour of Paris and against London. It should be observed that when the exchange is favourable to a place, it is only so to the buyer and remitter of foreign bills; but unfavourable to the drawer and seller. Thus the interest of each party is identified with that of the place where his funds are: hence an unfavourable rate of exchange in any place operates as a premium for the exportation of goods, and is, so far, an advantage to that place. The variation of the rate of exchange is, however, limited to twice the cost of transmitting gold between two countries. These limits are known as—

**155. SPECIE or GOLD POINT**, which is that point above or below the mint par of exchange at which it becomes more profitable to export or transmit bullion than to buy B/E. The cost of transmitting bullion varies from  $\frac{1}{2}\%$  to 2%, according to distance, risks, and other circumstances, and hence it is only under exceptional conditions that the prices of B/E. rise above or fall below these limits. No merchant will ever pay a greater premium for a bill to discharge a foreign debt than would suffice to cover the expense of transmitting bullion. Some gold points on the London Exchange are :—

<i>London on</i>		<i>Mint par.</i>	<i>Gold Exports.</i>	<i>Gold Imports.</i>
Paris .....	Fcs.	25.22½	25.12½	25.32½
Berlin .....	Mks.	20.43	20.33	20.52
Amsterdam ...	Fl.	12.10	12.04	12.15
Copenhagen ..	Kr.	18.16	18.07	18.28
New York ..	S	4.867	4.827	4.89

The Rate of Exchange for each country is published in the daily papers on Wednesdays and Fridays in each week in the Price List of Bills, better known as the—

**156. COURSE OF EXCHANGE**, which means that variable amount in the currency of one country which at any given date, is offered for a fixed sum in the currency of another country. The Rates of Exchange are seldom at par, fluctuating daily according to the state of trade, the value of money, and other disturbing influences. The rate quoted, which is generally for drafts having three months to run, is affected principally and legitimately by the actual balance of trade between the two countries, and the consequent necessity of remittances to discharge the debts which have been contracted between them. But this effect will not be seriously felt if the general balance of trade is at the time in favour of the country having occasion to remit. If a greater amount of remittances is made to a particular place, for instance, Paris, than is received from it, the exchange will be above par; if, on the other hand, a greater amount is received from Paris than is sent to it, the exchange will be below par.

**157. BILL BUYING.** Your question as to where and how to purchase a bill having been answered, you would then proceed, through the medium of your broker, to communicate with the money or exchange market, whereupon you would ascertain that C., of Paris, was indebted to D., of London, in the sum of £100. You would, therefore, buy for cash at the *current rate of exchange* from D., of London, a draft from him addressed to his debtor C., of Paris, requesting the latter to pay the amount to *your order*. Having ~~had~~ had the bill in favour of your creditor, F. Basile,

*Pay to the order of F. Basile,  
Albert Pupil,*

you would forward it to your creditor, B., of Paris, who would present it to C. for acceptance. The Journal entry would be :—*F. Basile Dr. To Cash £100.* In practical work the entry in the Cash Book would be on the Cr. side, thus :—*By F. Basile £100.*

In dealings with a foreign firm the Ledger a/e. will require two money columns on each side, in order to record the transactions in both currencies. When balancing it will be found that there will be a small difference arising from the fluctuations of Exchange between the two countries. This difference must be transferred to an Exchange A/c., the balance of the latter being carried to the P. & L. A/e. on making up the books.

**Dr.** Gustave Loubet, Rue Garibaldi 19, Paris. **Cr.**

(Standard Exchange, Fcs. 25.50 = £1.)

1909		£	s	d	Fcs.	c.	1909		£	s	d	Fcs.	c.	
Jan. 6	To Goods.....	100	-	-	2550	-	Mar. 30	By Cheque .... (rate 25 25)	309	10	8	7815	75	
" 30	" Goods.....	206	10	-	5265	75								
Mar. 31	" Transfer to Exchange A/c.....	8	-	8										
		£	309	10	8	7815	75		£	309	10	8	7815	75

#### VIA OF FOREIGN ACCEPTANCE.

No. 7.

**Exchange for Fcs. 2520.**

Stamp One Shilling.	<i>Thirty days after date (Second and Third of the paid), to the order of Two Thousand Five Hun- dred and Twenty Francs, value received and charge out advice of</i>	Accepted Payable at the Bank of Paris, Chevreul & Co., Due 26th October.	LONDON, 26th September, 1917.
<i>To Messrs. Chevreul &amp; Co., Paris.</i>		pay this First of Exchange same tenor and date not Albert Pupil, the sum of dred and Twenty Francs, to account, with or with-	DANIEL & CO.

158. As there are no days of grace in France, the above bill would mature on the 26th October. The number of days of grace allowed in foreign countries varies. They are shown in the Table of Usancee.

**159.** By the operation of this B/E. the convenience of all parties concerned is suited; the London creditor is paid by the London debtor; and the Paris creditor is paid by the Paris debtor; consequently the two debts are paid, and not a single coin passes between London and Paris. In this example *Daniel & Co.* are the Drawers, *Chevreul & Co.* are the Acceptors, *Albert Pupil* is the Buyer and Endorser of the bill, and *F. Basile* is the Endorsee of the bill and receiver of the money in Paris. Two persons here receive the money, *Daniel & Co.*, and *F. Basile*, and two pay the money, *Albert Pupil* and *Chevreul & Co.*; which is just what must be done when two debtors and two creditors settle a/cs. It will thus be seen that the debtor in one country is substituted for the debtor in another, and that while B/E. are used for the payment of inland debts, they were originally intended for the discharge of foreign debts.

**160. NEGOTIATION OF BILLS.** The holder of a bill may deal with it in three different ways. He may retain it until maturity; transfer it to one of his creditors; or discount it. When dealt with by either of the latter methods it is said to be negotiated, or *put into circulation*, which is the act of freely assigning or transferring a bill, with or without endorsement, either under discount or otherwise, to another person. For instance, suppose you hold an Acceptance by John Kerr for £100, and at the same time you are indebted to Joel Day in the sum of £100 or more, you may transfer to Day, Kerr's bill in payment of your debt. Such a transaction, involving the out going of a bill, would be journalised thus:—*Joel Day Dr. To B/R. £100.*

**161. DISCOUNTING** is a method frequently resorted to, particularly if the holder is urgently in need of cash. To discount a bill is to obtain money for a bill before it is due, interest being charged for the accommodation. On reference to Exercise 36, Oct. 8th, you will find that B. Astor gave you his acceptance at one month for £500, and that on the following day you discounted same, Cash received £497 18s. 4d., discounting £2 1s. 8d. It appears from the latter transaction

that you took the bill and endorsed it either to your banker or to a bill discounter, who, after being satisfied as to the solvency of B. Astor, paid you the £500, less one month's interest at 5%. The deduction of £2 1s. 8d., although really interest, is called discount. It is the banker's profit on the loan, and your loss for getting the money before it was due. As the Cash comes In to the Bank and the Bill goes Out, the above transaction would be journalised thus:—

Bank .....	Dr. £197 18 4
Bank Charges A/c. ,,,	2 1 8
To B/R. A/c. ....	£500

In practical work there would be two entries in the Cash Book, the full amount of the bill being entered on the Dr. side, thus:—

Oct. 9. To Bills Receivable A/c. . . . £500.  
and the Discount being entered on the Cr. side, thus:—

Oct. 9. By Discounting Astor's B/R £2 1 8.

This method keeps the Bank columns of the Cash Book in harmony with the Bank Pass Book. The Discount should be posted to the debit of the "Bank Charges A/c.," so as to keep it separate from the ordinary "cash discount."

Although you may generally regard a bill thus negotiated as finally disposed of, there does exist, however, on account of your endorsement, a "contingent liability" in respect thereof, until the same is paid by the acceptor.

The above transactions relative to discounting B/R. in Ex. 36, would be recorded in the Ledger and Cash Book, as shown below:—

Dr.	Bills Receivable A/c. (Ex. 36)	Cr.
1907. Oct 31	To Sundries as per total of B/R. Book	£ s d
	1201 2 2	1007
		Oct 9
		By Cash (Astor's Bill discounted)
		600 - -
	" 29	" Cash (Astor's Bill discounted)
		250 15 6
	" 24	" Wolsey Terry
		75 0 8
	" 31	" Balance c/d... ..
		875 - -
		£1201 2 2
Nov. 1	To Balance b/d. ...	875 1 - 1-

Dr.

Cash Book.

	Receipts.	Office. £ s. d.	Bank. £ s. d.
1907. Oct. 9	To Bills Receivable A/c. (Astor's B/R.).....	500	500
" 22	" Bills Receivable A/c. (Astor's B/R.).....	250	15 6

Cash Book.

Cr.

	Payments.	Discount. £ s. d.	Office. £ s. d.	Bank. £ s. d.
1907. Oct. 9	By Discounting Astor's B/R. ....	2 1 8		
" 22	" Discounting Astor's B/R. ....	5 15 6		

**162. THE RATE OF DISCOUNT** varies according to the nature of the bill, being considerably higher if any suspicions are entertained of the punctuality or solvency of the parties subscribing the bill. The charge also varies according to the state of the money market, and is very much influenced by the Bank Rate.

**163. DISHONoured BILLS** are those which either the drawees refuse to accept, or the acceptors fail to pay or meet when due. From this transaction, " Oct. 24,

Terry's acceptance due this day returned dishonoured £75 6 8  
Paid Notarial charges thereon..... . 3 4"

it would seem that Terry, on the maturity of this bill, was either unable or unwilling to fulfil his promise to pay you the above amount. Unless your banker had already done so, it would be your duty, immediately on the return of the bill, to place it in the hands of a Notary Public (N/P.) who is generally a solicitor, part of whose business it is to present dishonoured B/E. and note and protest their non-acceptance or non-payment.

**164. NOTING A BILL** is the presenting of a non-accepted or dishonoured bill and demanding acceptance or payment thereof, at the Bank where it is made payable, or to the acceptor himself by the Notary Public, either on the day of its dishonour, or on the next succeeding business day, as an official proof of the demand having been duly made, and if it is not then accepted, or paid, he notes its non-acceptance, or non-payment by writing upon a slip, which he attaches to the bill, the reply he receives (such as *No Funds; Refer to Drawer; No Orders; &c.*) so that should the bill be a

foreign one he may subsequently draw out a protest, which is a legal documentary declaration by a N/P.

The measure of damages on dishonour of a bill are—  
 (a) the amount of the bill; (b) interest from the time of presentment for payment if the bill is payable on demand, or from maturity in any other case; (c) expenses of noting, or (when protest is necessary and has been extended) of protest. In case of a bill dishonoured abroad, in lieu of the above damages (a) re-exchange; (b) interest thereon till payment.

## NOTING TICKET

J. NEWTON & SONS, Notaries,

10, Bircham Lane.

Noting 3/4.

NO ORDERS TO PAY.

## BANKER'S TICKET

		£	s.	d.
Bill	- . . . .	75	6	8
Noting	- . . . .		3	4
Postages	- . . . .			6
Interest	- . . . .			
Commission	- . . . .	75	10	6
		3	10	
		75	14	4
Beckett & Co.				

165. Terry's acceptance having been duly noted according to the requirements of the law, your next

duty would be, if you had received the bill by endorsement, to give immediate notice of dishonour in writing to the drawer and each endorser; as in the absence of such notice the drawer and endorser would be discharged from any liability respecting the bill. The object of giving such notice is to make them aware of the dishonour, so that you may, if necessary, have recourse—that is, call upon either the drawers or any of the endorsers, to pay the bill, together with the interest and expenses. As you were presumably the drawer and the only endorser in this instance, no notice of dishonour would be necessary.

**166. TRANSACTIONS ON DISHONOUR.** Although Terry's bill was dishonoured he still owes you the amount, and you will therefore debit his a/c. with the amount of the bill, as well as the cost of noting, thus :—

<i>Wolsey Terry .. . Dr.</i>	<i>£75 10</i>
<i>To B/R. (Dishonoured) ....</i>	<i>£75 6 8</i>
<i>,, Cash (Noting) .....</i>	<i>- 3 4</i>

In *practical work* only the dishonoured bill would be journalised as above, a separate entry being made in the Cash Book, on the Cr. side in respect of noting, thus :—

*Oct. 24. By Wolsey Terry (Noting Exs.) 3 4*

If the bill had been sent to the Bank for collection, the Bank would have been debited and B/R. credited; therefore on dishonour and return of the bill you would journalise thus : *W. Terry, Dr. To Bank.* In *practical work*, however, the record would be made in the Cash Book, on the Cr. side, in respect of noting, thus :—

*By W. Terry (Dishonoured Bill and Noting) £75 10*

And where the bill has been purchased under discount, or received in payment of an a/c., you would debit the a/c. of the person from whom you bought or received the bill, thus :— *A. Blank Dr. To B/R.* Should you have discounted the bill with a Discount Co., or paid it away to a creditor, on its return, with notice of dishonour, you would owe the Discount Co. or Creditor the full amount thereof, and would therefore journalise :—

*Wolsey Terry, Dr. To Discount Co., or A Creditor.*

Dr.	Wolsey Terry (Ex. 36).	Cr.
1907 Oct. 10	To Wool.....	£ 75 6 8
" 16	" Wool .....	25 10 -
" 21	" B/R. Dishonoured	75 6 8
" 21	" Noting Charges .	- 3 4
		£ 176 6 6
1907. Oct. 11	By B/R.....	£ 75 6 8
	" Cash .....	75 15 -
	" Bad Debts.....	25 5 -
		£ 176 6 6

**167. RENEWED BILLS.** To renew a bill is to accept a new B/E. in place of a former one which the acceptor was unable to honour when due. Sometimes the acceptor of a bill finding himself unable to meet it on its maturity requests to be allowed to renew it. If the holder is satisfied as to the solvency of the acceptor he will comply with the request, on condition that the acceptor pays for the new bill stamp, and interest on the amount for the extended period. The transaction : "Nov. 29. J. Keen met his acceptance for £811 1 due to day with a 2 mos Bill including Int for £835 7 8" shows that you have granted an extension of time to Keen. The old B/R. is cancelled and consequently goes Out, while a new one comes In, the interest being a gain.

In practical work the old B/R. and the interest would be debited to Keen in the Journal :—

*James Keen, Dr. To B/R. £811 1 -*

*James Keen, Dr. To Interest £24 6 8*

while the new bill would be entered in the B/R. Book.

If you had received such a favour from a creditor, the entry would have been as follows :—

*B/P .....Dr. To Creditor £811 1 -*

*Interest .....Dr. to Creditor £24 6 8*

and a new bill entered in the B/P. Book.

In the case of the renewal of a bill which has been previously dishonoured, as :—

*" Nov. 18. J Keen forwards his acceptance at seven days with noting expenses and Interest £811 1 -."*

It would be journalised thus :—

*James Keen ...Dr. To Interest £10 - -*

*B/R. .....Dr. To James Keen £811 1 -*

In practical work James Keen would be debited with interest through the Journal :—*James Keen, Dr. to*

Interest £10, and the new bill would be recorded in the B/R. Book.

When a bill is partly paid, and partly renewed as :—

"A. Brown settles dishonoured bill for £400 by paying Cash £200, and accepting our draft at two months for £201 including interest."

an entry must be made in the Journal :—*A. Brown, Dr. To Interest £1; the Cash entered in the C/B. : To A. Brown, £200; and the B/R. recorded in the B/R. Book.*

(Ex. 37). Bills Receivable Book. (Abridged Form).

Date. 1907.	From whom received.	Term.	When due	L.F. Cr.	Amount. £ s. d.
Nov. 8	Alfred Carr .....	16 days	27th Nov.	710	- -
" 9	James Keen .....	3 days	15th Nov.	600	- -
" 14	James Keen .....	2 months	17th Jan.	504	8 4
" 18	James Keen .....	7 days	28th Nov.	811	1 -
" 22	Robert Keld .....	1 month	24th Dec.	300	- -
" 29	James Keen .....	2 months	31st Jan.	835	7 8
Bills Receivable A/c...Dr.				£ 3060	12 -

Dr. (Ex. 37).	Bills Receivable A/c.	Cr.
1907.		
Nov. 1	To Balance b/f.....	£ s. d. 1100 - -
" 30	" Sundries as per total of B/R. Book	3960 12 -
		£ 5060 12 -
Dec. 1	To Balance b/d.....	1135 7 6
		£ 5060 12 -

Dr. (Ex. 37).	James Keen.	Cr.
1907.		
Nov. 1	To Balance b/f.....	£ s. d. 101 1 -
" 9	Goods .....	1040 - -
" 12	" Con. from H. Vint	145 11 -
" 14	" Con. from H. Vint	180 - -
" 14	Interest .....	4 3 4
" 14	Coffee .....	320 - -
" 15	B/R. .....	800 - -
" 15	Noting Charges...	1 1 -
" 18	Interest .....	10 - -
" 19	Coffee .....	201 1 -
" 28	B/R. .....	811 1 -
" 28	Interest.....	24 6 8
		£ 3638 5 -
Dec. 1	To Balance b/d.....	266 12 -
		£ 3638 5 -

**168. RETIRING BILLS PAYABLE.** If at any time you preferred to pay or retire one of your own acceptances before arriving at maturity, for the purpose of gaining rebate; (that is, the interest of the unexpired term), it would be called *retiring under discount*. The transaction :—“ Nov. 16. Retired our bill due 30th Nov., by cheq., £717 5, and was allowed dis. £2 15,” would be journalised thus :—

Nov. 16. <i>B/P.</i> .....	<i>Dr.</i> £720
<i>To Bank</i> .....	£717 5 -
,, <i>Discount A/c.</i> .....	2 15 -

In practical work the entry in the **Cash Book** would be on the **Cr.** side; discount in the first column thus :—

Nov. 16. <i>B/P.</i> , £2 15 -; £717 5 -
--

**169. REBATE ON BILLS DISCOUNTED** is an item which often occurs among the Liabilities in the B/S. of a Bank, and refers to *unmatured discounted bills on hand*, similar to the one mentioned in par. 161. This Rebate is the *difference* between the present or actual value of the bills (the amount for which they might be re-discounted) and their face value. Having debited the “ Bills Discounted A/c.” with the face value of the bills, it is necessary for the banker to ascertain the actual value of those still current before preparing the B/S., otherwise the assets would be over-estimated; for a bill is worth its face value only when it matures. At the *closing* of the books each half-year the *whole* of the discount on such unmatured bills has *not* been *earned* by the Bank; and the *portion unearned* must therefore be *carried forward* to the following half-year. For example, suppose that the Bank has discounted a 3 mos. bill for £1000, dated 28th Nov., 1916, on that date, at 5%, the profit, or discount thereon of £12 10 - would be *credited* to the *Discount A/c.* As this bill would not mature until 2nd March, only £4 3 4, being one-third of the discount, would have been *actually earned* during the period ending 31st Dec.; consequently the balance of £8 6 8, which is *earned* from

1st Jan. to 2nd March, 1917, must be debited to the Discount A/c. for 1916, and brought forward on 31st December as a liability. This adjustment is recorded in the Journal thus :—

1916. Dec. 31, *Discount A/c. Dr.* £8 6 8

1917. Jan. 1, *To Discount A/c.....* £8 6 8

Dr.	Discount A/c.	Cr.
1916 Dec 31   To Balance c/d .. ....	£ 8   s d   1916 " Transfer to   6   8   Nov. 29   By B/R. .... .....	£ 12   s d
" P. & L. A/c .	4   3   4	10   -
	£ 12   10	£ 12   10
	1917. Jan 1   By Discount b/d.....	8   6   8

170. In practical work it is found necessary to keep two subsidiary books or Special Journals known as **BILL BOOKS**; one for recording B/R. and the other for B/P., although in some offices only one volume is used, B/R. being entered at one end and B/P. at the other end of the same book. (See next page.)

In working exercises containing transactions in bills you will find it convenient to arrange the B/R. Book underneath the Dr. side of the Cash Book, and the B/P. Book underneath the Cr. side of the C/B.

171. **THE BILLS RECEIVABLE JOURNAL** or **BOOK** must contain at least, the date of the bill, the name of the acceptor, the term, when due, ledger folio, and the amount. Another usual column is headed *How disposed of*, in which you would insert one of the following :—*Paid to Bank, 2nd May; Paid to Joel Day, 5th June; Discounted 9th July, &c.* As the persons from whom you receive bills are your debtors, each amount must be posted to the Cr. side of its respective personal a/c. in the Ledger.

*Date; By B/R.; Fol.; Amount.*

As this book contains particulars of bills coming in, the total thereof must therefore be posted to the Dr. side of the B/R. A/c. in the Ledger by entering the :—

*Date; To Sundries B/B.; Fol.; Amount.*

## Bills Receivable Book. (Ex. 36. p. 187.)

Date.	From whom received.	Term or Tenor.	When due.	Led. Fol. Cr.	Amount.		
					£	s.	d.
1907. Oct. 8	Bruce Astor .....	1 mo.	Nov. 11		500	-	-
" 11	Wolsey Terry .....	10 days	Oct. 24		75	6	8
" 17	Bruce Astor .....	8 mos.	Jan. 20		250	15	6
" 26	Bruce Astor .....	8 mos.	" 29		875	-	-
			B/R. A/c.....Dr.	£	1201	2	2

172. THE BILLS PAYABLE JOURNAL or BOOK must contain at least the date of acceptance, to whom given, the term, ledger folio, when due, and the amount. The persons to whom you give bills being your creditors, each amount must be posted to the Dr. side of its personal a/c. in the Ledger by entering the :

*Date; To B/P.; Fol.; Amount.*

This book containing particulars of Bills going out must therefore have its total posted to the Cr. side of the B/P. A/c. in the Ledger, by entering the :—

*Date; By Sundries B/B.; Fol.; Amount.*

## Bills Payable Book. (Ex. 36, p. 187.)

Date.	To whom given.	Term or Tenor.	When due.	Led. Fol. Dr.	Amount.		
					£	s.	d.
1907. Oct. 6	Seth Riley .....	21 days	Oct. 29		400	-	-
" 17	Seth Riley .....	2 mos.	Dec. 20		300	-	-
			B/P. A/c.....Cr.	£	700	-	-

173. When Interest is involved in transactions relating to Bills be careful to journalise the same.

A Bill Book may be ruled so as to accomodate not only the detailed record of the bills, but also the account, as per the second example given on the next page of a Bills Receivable Ledger.

## BILLS RECEIVABLE BOOK.

No. of Bill.	Date Recd.	From whom Received.	Drawers	Acceptors	Whoro Pay- able.	Date of Bill.	Term or Tenor.	When Due.	S.I., Fol. Cr.	Amount of Bill.	How disposed of.
47	1905, Feb. 15	H. Bates	Self	H. Bates	Lloyds	Feb. 12	8 mos.	15	18	£810	Discounted Parr's Bank.
48	Mar. 15	Do.	Do.	Do.	Da.	Mar. 12	4 mos.	16	18	1300	Do.
49	May 16	T. Ray	Do.	T. Ray	Connells	May 11	0 mos.	17	20	1000	Do.

## BILLS RECEIVABLE LEDGER. Dr.

No. of Bill.	Date Recd.	From whom Received.	Whoro Pay- able.	Date of Bill.	Term or Tenor.	When Due.	S.I., Fol. Cr.	Amount of Bill.	How disposed of.	C.B. Fol. Dr.	Amount of Cash and Discount.

**Cr.**

### Exercise 34.

A Pupil's affairs on the 1st August, 1907, stood as follows :—N.B.  
*(See top of next page.)*

		(See top of next page.)
	Cash in hand £47 15, and at Bank .....	£987 5
	Stock of Cloth .....	675 -
	J. Salt's Promissory Note due 15th August	148 -
	Lewis Mart's Bill due 23rd Aug. ....	50 -
	Balance due from Matthew Paul .....	72 -
	" to Merchant & Co.....	107 10
	Acceptance given to A. Brown .....	100 -
	P/N. given to D. Jones, due 28th August ...	115 -
	Capital .....	1657 10
Aug. 1.	Sold to Alfred Brand, Goods .....	125 -
" 1.	" Goods for cheque; sent it to Bank (91)	56 -
" 1.	" to Lewis Mart, Goods .....	95 -
" 2.	Bought of Merchant & Co., Goods .....	251 -
" 4.	Paid Merchant & Co., cheque .... £105 -	-
	They allowed discount .....	2 10 -
" 5.	I honoured my acceptance to A. Brown, by forwarding cheque for (146) .....	100 -
" 6.	Sold to Matthew Paul, Goods .....	87 15 -
" 6.	Received from Matthew Paul, Cash £71 2 -	-
	I allowed him discount .....	- 18 -
" 10.	Received from A. Brand his acceptance at 1 mo. for £100, and cash for £25 (146 & 171)	125 .
" 14.	Bought Goods and paid cheque for them ...	73 10 -
" 15.	Sold Goods for cash up to this date .....	158 5 -
" 15.	Paid into Bank (90) .....	250 -
" 15.	J. Salt paid cash to meet his P/N. (146) ...	148 -
" 16.	Paid into Bank (90) .....	148 -
" 18.	Accepted Merchant's draft at 3 mos. (146 and 172) .....	200 -
" 18.	Lewis Mart paid to my Bank A/c. ....	80 -
" 18.	Sold to Alfred Brand, Goods .....	96 -
" 18.	" Matthew Paul, Goods .....	62 5 -
" 23.	Lewis Mart duly met his bill at the Bank (146)	50 -
" 24.	Received from M. Paul, cash £35, and his acceptance at 2 mos. for £75 (146 & 171)	110 -
" 28.	My Banker paid cash to D. Jones to lift my P/N. due to-day (142, 146) .....	115 -
" 29.	L. Mart is insolvent; I receive for his debt of £15 a composition of 12/6 in the £ (74 and 95a) .....	9 7 6
" 30.	Sold Goods for Cash up to this date .....	176 10 -
" 30.	Bought                   Do. ....	97 15 -
" 31.	Paid into Bank (90) .....	140 -
" 31.	Trade Exs. paid by Cash, £7 15; by cheque Estimated value of Goods in Stock, £396.	42 5 -

*Estimated value of Goods in Stock, £396.*

**Answer:—Trial Balance : totals £4972 10 -; balances £2769 17 -;**  
**Gross Profit, £152 10 -; Net Profit, £98 9 6; Bal. of Cap.,**  
**£1755 19 6; Total of B/S., £2009 19 6. Cash Bal., £27 9 6;**  
**Bank Bal., £1275 10s.**

N.B.—Journalise the Opening Entries of Ex. 34 thus :—

1907.

Aug. 1.	<i>Cash</i>	.....	<i>Dr.</i> £47 15	.
	<i>Bank</i>	.....	" 987 5	.
	<i>Cloth</i>	.....	" 675	.
	<i>Bills Receivable</i>	.....	" 198	.
	<i>Matthew Paul</i>	.....	" 72	.
	<i>To Merchant &amp; Co.</i>		107 10	.
	<i>" Bills Payable</i>		215	.
	<i>" A. Pupil's Capital A/c.</i>		1657 10	.
				£1980 . . . £1980 . . .

### Supplementary Exercise 34a.

On 1st Jan., 1907, David Swanson's state of affairs was as follows: Cash at Office £28, at Bank £300, owing by William McLeod £40, James Hendry £164, John Graves £70, Samuel Hall £50. Goods in stock valued at £300. He owed David Evans £160, Edward Kellett £52.

1907. *Transactions.*

		£
Jan. 2.	Received from J. Hendry his acceptance at 1 month for (146 & 171) .....	100
,, 3.	Sold to George Lee, Goods ..	70
,, 5.	Gave David Evans my acceptance at one month for (146 & 172) .....	90
,, 8.	Purchased Goods from Walter Marshman .....	67
,, 13.	S. Hall gave me his P/N. at 1 month for (146 & 171)	50
,, 20.	Gave W. Marshman P/N. at 1 month for (146 & 172)	67
,, 23.	Paid David Evans by Cheque ..	50
,, 25.	Sold Goods on credit to Samuel Hall .....	200
,, 27.	Wm. McLeod handed me his acceptance at 2 months	40
,, 30.	Sent Edward Kellett acceptance at 2 months .....	52
,, 31.	Paid Trade Expenses for month in cash .....	25
,, 31.	Drew Cheque for Private Expenses (78) .....	40
Feb. 1.	Sold Goods to John Graves .....	40
,, 5.	Bank received amount of J. Hendry's acceptance due to-day (146) .....	100
,, 8.	Paid my acceptance due this day by cheque (146)	90
,, 10.	Purchased Goods from Edward Bailey .....	90
,, 13.	Accepted Bailey's draft at 3 months for (146 & 172)	90
,, 15.	Sold Goods to John Graves .....	30
,, 16.	S. Hall pays amount of P/N. due this day into my Bank (146) .....	50
,, 20.	John Graves sends his bill at 2 months (146 & 171)	140
,, 23.	Honoured my P/N. due to-day by cheque (146) .....	67
,, 24.	Purchased Goods from Edward Kellett .....	100

	£
Feb. 27. Drew from Bank for Office Cash .....	30
, 28. Paid Trade Expenses from Office Cash .....	25
, 28. Drew Cheque for Private Expenses (78) .....	30
, 28. Allow Interest on Capital for 2 months at 5% (71).	

*Goods in stock £300.*

Answer:—*T.B. totals £2691 3 4; balances £1348 3 4. Gross Profit £83; Net £26 16 8; Bal. of Cap. £703. Total of B/S. £965; Cash Bal., £8; Bank Bal., £143.*

### Supplementary Exercise 34b.

On 1st March, 1807, David Swanson's state of affairs was as follows:—Cash at Office £8, at Bank £143, Stock of Goods, £300 McLeod's acceptance due 30th March, £40, Graves' Bill due 23rd April, £140; owing by James Hendry £64, Samuel Hall, £200, George Lee £70. Owing to David Evans £20, Edward Kellett £100; B/F. granted to Edward Kellett, due 2nd April, £52, and Edward Bailey, due 16th May, £90.

1807.	<i>Transactions.</i>	£
Mar. 1.	Drew 2 months' Bill on J. Hendry, which he accepted for (146 & 171) .....	64
,	Sold Goods to John Graves .....	80
,	Lee accepted my draft at 3 months for (146 & 171) .....	70
,	Bought Goods from Edward Bailey .....	150
,	Accepted Kellett's draft at 1 month for (146 & 172) .....	70
,	Discounted Hendry's Bill at Bank for £63 10. (161) .....	64
,	Sold John Graves Goods .....	70
,	John Graves sent me his P/N. at 1 month (146 & 171) .....	100
,	Bought Goods from Isaac Barrow .....	100
,	Edward Bailey drew on me a 2 months' bill for .....	120
,	Sold Goods for Cash and paid into Bank .....	90
,	Drew from Bank for Office Cash .....	35
,	Paid Salaries and Sundry Expenses for month .....	30
,	McLeod honoured his bill due to-day by cheque (146) .....	40
April 2.	Met acceptance due to Kellett to-day by cheque (146)	
,	Retired my acceptance to E. Bailey by cheque, Rebate 10/- (168) .....	120
,	Paid E. Kellett's draft due to-day by cheque (146) .....	
,	Sold Goods to Gavin Hamilton .....	60
,	J. Graves met his P/N.; lodged proceeds in Bank (146) .....	100
,	Returned Goods to Isaac Barrow not according to sample (113) .....	6
,	Discounted George Lee's acceptance; cash received lodged in Bank, Discount charged 7/- (161) .....	70
,	Drew on Samuel Hall at 2 months for (146 & 171) .....	150
,	Goods sold to James Hendry .....	70

	£
Apr. 23. J. Graves' Bill due to-day received by cheque (146)	140
,, 25. Drew cheque for Private Expenses .....	40
,, 27. Handed E. Kellett my P/N. at one month for balance .....	30
,, 29. Drew from Bank for Office Cash .....	30
,, 30. Sold Goods to Fred Mitchell for Cash .....	70
,, 30. Paid Trade Expenses for month .....	25
<i>Stock £250.</i>	

**Answer:**—*T.B. totals £3156 17; balances £1418 10. Gross Profit, £151; Net Profit, £95 13 -; Balance of Cap., £758 13 -; Total of B/S., £1022 13 -. Cash Bal., £268; Bank Bal., £119 13s.*

1907.                      Exercise 35.                      £ s. d.

Sept. 1.	My hooks were opened with these balances : Cash in hand £75, in Bank £850, Goods £925, B/R. £132 15, B/P., due 15th Sept. £246, Aldred Boyd owes me £67 10. Neal Dow, of Chicago, owes me £315. I owe Fritz Basile, of Paris, £100; and Dore & Co. ....	154 - -
" 2.	Purchased Goods from Hy. Clay, Chicago....	204 5 -
" 2.	Sold Edward Frome, Goods .....	28 5 -
" 2.	Bought of Dore & Co. Goods .....	112 10 -
" 5.	Sold Frank Gray, Goods .....	37 15 -
" 5.	Pd. Dore & Co., Cash £50; My Prom. Note at 2 mos. for £100; allowed dis. £4 (146 & 172) .....	154 - -
" 10.	Drew from Bank (90) .....	125 - -
" 10.	Bought Goods for Cash .....	136 - -
" 11.	Sold Aldred Boyd, Goods .....	48 15 -
" 11.	Sold Neal Dow, Goods .....	56 10 -
" 12.	Recd. from Aldred Boyd, £97 10s. Dis. 50/-	100 - -
" 14.	Recd. acceptance from N. Dow, due 20 Nov.	75 - -
" 14.	Sold Goods for Cash up to this date .....	205 - -
" 15.	Paid into Bank .....	250 - -
" 15.	B/P. due to-day, paid by cheque (146) .....	246 - -
" 20.	Sold Edward Frome, Goods .....	64 16 -
" 20.	Forwarded H. Clay, draft at 60 days after sight upon Neal Dow, for (149) .....	204 5 6
" 22.	Sold Goods to Tom Fox for a P/N. @ 3 mos.	72 10 -
" 23.	Edward Frome pays £58 10s. Dis. 30/- ...	60 - -
" 25.	A. Boyd becomes insolvent and pays a composition of 12/- in the £; I receive (74, 95a)	9 15 -
" 25.	B/R. duly met in Cash (146) .....	132 15 -
" 26.	Bot. with Cash a bill on Paris and sent same to Fritz Basile in settlement of a/c. (157)	100 - -
" 30.	Sold Goods for Cash up to this date .....	184 5 -
" 30.	Paid into Bank .....	260 - -
" 30.	Paid Exps. this month by cheq. £25, by cash	7 10 -

*Value of Goods unsold, £755.*  
**Answer:**—*Trial Balance: totals £5344 2 -; balances £2775 11 -.*  
*Gross Profit, £75 6; Net Profit, £36 6; Bal. of Cap..*  
*£1901 5 6; Total of B/S., £2113 15 6. Cash Bal., £84 5s.;*  
*Bank £964.*

## Exercise 36. (See page 181).

Albert and Leo Pupil's Capital of £2000 each consists of Cash £800; Wool £1000. Profits to be divided equally. 1st Oct., 1807.

Oct. 1.	Paid into Bank .. .	£2500	- -
" 1.	Paid Cash, Carriage on Wool (75) ..	10 5 9	
" 3.	Bought of Seth Riley, Wool ..	715 10 6	
" 4.	Sold to Bruce Astor, Wool ..	557 12 6	
" 5.	Pd S. Riley, by Cheq., £310, Accepted his draft at 21 days, £100, D/c £5 10 6 (16)	715 10 6	
" 8.	Rec'd of B. Astor, Cash £50, his acceptance at 1 mo £500, D/c. £7 12 6 (16 & 17)	557 12 6	
" 9.	Bought of Seth Riley, Cottages (81)	965 - -	
" 9.	Discounted B. Astor's acceptance, credited £197 18 4; Dis charged £2 1 s (16)	500 -	
" 10.	Sold Wolsey Terry, Wool	75 6 8	
" 11.	Bought £1,000 Canal Shares @ £75, and pd for them by cheque (82)	975 -	
" 11.	Received of Terry his 10 days' Acceptance	75 6 8	
" 14.	Received Cash for Sale of Waste Wool	12 5 7	
" 15.	Pd in Cash, Legal Charges on Purchase of Cottages ( <i>Debit Cottages &amp; Credit Cash</i> )	20 10 6	
" 16.	Sold Wool to Wolsey Terry	25 10	
" 16.	Do Bruce Astor	250 15 6	
" 16.	Do for Cash	75 12 9	
" 17.	B. Astor accepted our draft at 3 mos (16 & 17)	250 15 6	
" 17.	Remitted S. Riley by Cheq. £165, and our Acceptance @ 2 mos £100 (16 & 17)	165 - -	
" 21.	Paid Wages in Cash	7 8 9	
" 22.	Discounted B. Astor's Acceptance, pd proceeds into Bank £245, Dis charged £3 15 6	250 15 6	
" 24.	Wolsey Terry's acceptance dishon'd (166)	75 6 8	
	Paid Notarial Charges	3 4	
" 25.	Sold for Cash £100 Canal Shares @ £80 (83)	320	
" 25.	Sold four Cottages to B. Astor (81)	430 - -	
" 26.	Bruce Astor paid into my Banking ac/c And accepted draft at 3 mos for (16 & 17)	125 - -	
" 28.	Terry has become insolvent, we rec'd a com position of 15/- in the £, pd to Bank (74)	75 15 -	
" 29.	Our acceptance duly hon'd at Bank (132)	400 - -	
" 29.	Rec'd Cash for Rent £26 5 (81)	41 5	
" 29.	Do Canal Dividend 15	25	
" 30.	Drawn from Bank on Private a/c -(78)	17 6 8	
	A Pupil and L. Pupil, each £12 10	Value of £900 Canal Shares @ £77, £693; Cottages £600, Wool £800 Cash Bal £960 15s. Bank Bal £1564 13 4	

Answer:—Trial Balance totals £13923 18 -, balances £3925 14 5  
 Gross Profit on Wool, £81 12 6, on Canal Shares, £88, on Cottages, £11 9 6 Net Profit, £135 1 8 Balance of each Capital A/c, £2063 14 2 Total of B/S £1997 8 4

## CONSIGNMENTS.

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**174. CONSIGNMENTS sent out.** To send goods "on consignment" differs from sending them in fulfilment of "an order," in that there is generally no order at all. A "consignment" is a transaction where goods are sent to another town, but more frequently to a foreign country, to an agent known as a factor, who, for a commission, on the amount realised, sells such a "consignment" at the best price obtainable. When you (the *consignor*) "consign" goods you merely transfer them from your own warehouse to that of the factor (the *consignee*) for sale, in the hope of making a profit. Such an outward consignment is sometimes called an **Adventure**, because it is something risked.

A special subsidiary book, known as the **Consignment Book Outwards**, should be kept for recording such transactions, on a plan similar to the Sales Book. After entering full particulars of the "consignment" therein, you would copy from it the invoice to be sent to the factor, the consignee, who, although he is not the purchaser, must be supplied with a **pro forma Invoice** (for form's sake), so that he may have information as to the value of, and charges upon, the goods.

Transaction "Nov. 17. Sent to Robert Keld, Newcastle, to be sold on our a/c. 84 chests Congou, 7200 at 2/- lb. £720."

Not having sold the tea to Keld you cannot charge his personal a/c. with the amount. He merely holds and warehouses the goods *on your behalf*, and therefore does not owe you for their value. You must open and debit a **special goods a/c.** entitled *Consignment of Tea to R. Keld, Newcastle*. This a/c. must be dealt with like a separate Goods A/c. You will debit it with the cost of the goods, also all charges and expenses incurred in respect thereof, which increase the cost of the consignment, such as carriage, cartage, freight, storage, insurance, duty, commission, &c.; and credit it with all

receipts from Keld in respect of sales effected by him, also for any portion of the goods returned by him. The entry for the above transaction would, in *practical work*, be made in the Consignment Book and duly posted from there. In theory it would be journalised thus :—

*Consignment of Tea to R. Keld .....* Dr. £720.  
*To Tea A/c. ....* £720.

The transaction :—

“ Nov. 19. Paid in Cash carriage on Tea  
 consigned to Newcastle ... ... £10 13 4.”

would either be entered in the C.B. or journalised :—

*Consignment of Tea to R. Keld (Carr.) Dr. £10 13 4*  
*To Cash ....* £10 13 4

It is a common practice for the *consignee* to advance to the *consignor* on security of the consignment, by means of a B/E., a sum of money, not exceeding three-fourths the value of the goods; for instance :—

“ Nov. 22. Received from Robert Keld, bill at one month, as an advance on Consignment of Tea £300 ”

As Keld, the *consignee*, may never sell this Tea, this amount, although advanced by him to you as against the goods must *not* be credited to the Consignment A/c., but to Keld's personal a/c. In case the tea should be returned to you, then Keld would be your creditor for £300. This B/R. from Keld you would either enter in the Bills Receivable Book, or journalise thus :—

*B/R. Dr. £300. To Robert Keld £300.*

If, however, the above amount had represented a sale by Keld of £300 worth of the Tea consigned, and he had remitted a bill for the amount, then you would have entered the B/R. in the Bill Book, and journalised thus :—

*Robert Keld Dr. To Consignment of Tea £300.*

**175. ACCOUNT SALES (A/S.)** On sale of the tea, R. Keld would render to you particulars thereof known as “ Account Sales,” which is a detailed statement of goods sold on Commission, sent by a *consignee* to the *consignor* of goods. It resembles an Invoice in

showing the weight of the goods sold, the prices realised, and the net result after deducting the freight, commission, and all other expenses attending the sale. An A/S. is also delivered to a merchant by his broker, when the latter has sold goods at a public auction on the merchant's a/c. In this case the weight of each lot sold, the prices obtained, and the net proceeds of the sale would be shown, after deducting the cost of advertising, the sale expenses, and the broker's commission.

176. An Account Sales Book of some description should be kept for recording the sales of goods sent "on consignment." It may either be a separate book, or the *Consignments Book Outwards* could be used; the left-hand page being used for details of the goods sent, and the right-hand page reserved for details of the result—the Account Sales. Or an Account Sales Guard Book might be employed, similar to the *Bought Guard Book* explained on page 87.

**Account Sales of 84 Chests Congou sold on a/c. of  
Messrs. Pupil Bros., Huddersfield.**

R.R.			Per lb.	£			£		
				s.	d.		s.	d.	
18/4	42	Congou 8600 lbs. net	2/3				405	-	-
	42	Do. 8600 "	2/4				420	-	-
							825	-	-
		Charges							
		Insurance .....		8	-	-			
		Cartage .....		2	15	-			
		Storage.....		9	10	-			
		Commission @ 5% ..		21	15	-	45	-	-
		Net Proceeds..					780	-	-
		Remitted Bill on a/c..					300	-	-
							£480	-	-

*E. & O. E.*

*Newcastle, 25th November, 1907.*

*ROBERT KELD.*

177. The receipt by you of the above A/S. is a "transaction," and would be described thus:—

"Nov. 26. Received from Keld, Newcastle, A/S. showing that Tea had realised net £780."

Having sold your Tea, Keld is now indebted to you for the *net* amount realised, therefore debit his personal a/c., and journalise as follows:—

*Robert Keld ..... Dr. £780.*

*To Consignment of Tea to Keld..... £780.*

If Keld had not made a remittance to you on a/c. before the sale of the Tea, and when forwarding his A/S. had enclosed a cheque or sight draft in payment of the whole of the net proceeds, a personal a/c. with Keld would *not* have been absolutely necessary, in which case the transactions would have been stated thus:—

"Received from R. Keld, Newcastle, A/S showing that Tea had realised net £780, and enclosing his cheque for the amt." and would either have been entered in the Cash Book —

"*To Consignment of Tea to R. Keld, £780,*" or journalised —  
*Cash Dr. £780. To Consignment of Tea to R. Keld, £780.*"

178. When freight, carriage, insurance, &c., are due but not actually paid, open a Suspense A/c. for these outstanding expenses, and credit it with the total of the various charges. In closing outward Consignment A/cs., when the whole of the goods consigned have been sold and A/S. rendered to you, the *difference* is either a profit or a loss, and must consequently be transferred to the P. & L. A/c. Should the whole or any part of the consignment remain unsold, the value of such stock should be credited to the a/c., which is balanced in the same way as a goods a/c., the difference being carried to the P. & L. A/c. and the balance of stock brought down.

Dr.      Consignment of Tea to R. KELD. (Ex. 37).      Cr.

1907 Nov. 17	To Tea .. ....	£ 720 -	s d	1907 Nov. 26	By Account Sales..	£ 780 -	s d
" 19	" Carriage .. ....	10	18	" 4			
" 80	" Net Profit to P. & L. A/c	49	6	8			
		£	780 -			£	780 -

Dr.

Robert Keld. (Ex. 37).

Cr.

		£		£	
1907. Nov. 26	To Consignment of Tea .....	750		1907. Nov. 22	By B/R. ....
		750		" 30	" Balance ..... c/d
Dec. 1	To Balance.... b/d	450			450
		£			£
		750			750

Dr.

Consignment to (H. POOLE) Smyrna.

Cr.

1900		£	s	d	1900		£	s	d
Jan 1	To Balance .... b/f	650	-	-	Jan. 15	By Draft.....	750	6	8
" 6	" Angles .....	640	-	-	" 28	" Draft.. ....	420	-	-
" 30	" Freight Chgs..	56	2	8	" 31	" Bal. (Stock) c/d	335	4	6
	" NET PROFIT	132	8	5			£	1505	11
		£	1505	11			s	1	2
Feb 1	To Balance .... b/d	335	4	6			£	1505	11
		£	1505	11			s	1	2

179. CONSIGNMENTS received. An inward consignment is the transference of goods to you, the *consignee*, by the *consignor*, for sale on commission.

Transaction :—“ Nov. 4. Received consignment from H. Vint, Java, of 40 tierces of coffee, invoiced at £600.”

There are two methods of dealing with Consignments *Inwards*; the theoretical and the practical. Theoretically no entry is needed in your Ledger on the receipt of a consignment of goods such as the above. You have *not ordered* and are therefore not liable for the value of the goods until sold. Although no a/c. is required to be opened in the Ledger, you must, however, record the receipt by you of the consignment in the Consignment Book *inwards*; the particulars being obtained from the *pro forma* invoice supplied by the *consignor*.

Transaction :—“ Nov. 6. Paid in cash Freight on Consignment from H. Vint ..... £30 6 8.”

Now that you have made a payment in respect of Vint's consignment you must open a personal a/c. with him, and debit him with all payments made by you in respect of the consignment of coffee, and credit him

with the amount realised on sales. Either enter in the C/B., "By Hugh Vint, (Freight)" or journalise :—

"Hugh Vint (Freight).....Dr. To Cash £30 6 8." Transaction :—"Nov. 9. Remitted a Bill on a/c. of consign-"

ment of Coffee for £400" would either be entered in the B/P. Book or journalised "Hugh Vint Dr. To B/P. £400."

Transaction : "Nov. 12. Sold Keen, Coffee from Vint, £145 11."

Transaction : "Nov. 14. Sold Keen, Coffee from Vint, £180."

In both cases journalise, *debiting* Keen and *crediting* Vint.

Transaction : "Nov. 15. Placed to our own a/c. H. Vint's Coffee, £210."

Enter either in Purchases Book or journalise :—

*Coffee A/c. Dr. To Hugh Vint.*

Transaction : "Nov. 25. Forwarded A/S. of Coffee to H. Vint. Commission charged £26 15 8"

This commission is your profit for effecting the sales, therefore journalise, *debiting* H. Vint and *crediting* Commission A/c. The difference of the latter A/c. must be carried to the P. & L. A/c. when closing the books

From the above transactions you will see that an inward consignment is dealt with exactly like a personal a/c.; and the difference represents either a balance due to you or by you.

Dr.	Hugh Vint (1 s. 37).	Ct.
1907		
Nov. 6	To Freight, .....	£ 30 6 8
" 25	" B/P. .... ..	400
" 30	" Commission ..	26 15 8
	" Balance, .... c/d	78 8 8
		£ 357 11 8
1907		
Nov. 12	By Jas. Keen .....	145 11
" 15	" 15 " Jas. Keen .....	180
	" 15 " Coffee A/c. ....	210
		£ 535 11
Dec. 1	By Balance, .... b/d	78 8 8

The practical method of dealing with a Consignment Inwards is to open a Personal Consignment A/c. and *debit* it with the invoice value of the goods; at the same time *crediting* another personal A/c. of the consignor. This latter personal a/c. should be debited with any expenses incurred in connection with the consignment, as well as with any remittance to the consignor.

On the sale of the goods the purchaser would be debited and the personal account, "Consignment from H. Vint," credited. The personal Consignment A/c. is closed by carrying the difference thereof, representing the gross profit or gross loss, to the other personal a/c. of the consignor, as shown below.

**Dr.                      Consignment from H. Vint (Ex. 37).                      Cr.**

1907 Nov. 4	To Invoice Value of Coffee .....	£ 100 .-	1907 Nov. 12	By Sale, J. Keen... " Sale, J. Keen... " Sale, Silver... " Transfer to H. Vint's A/c.	£ 100 .-
		£ 100 .-			£ 100 .-

**Dr.                      Hugh Vint (Ex. 37).                      Cr.**

1907 Nov. 6	To Freight... .....	£ 5.00 .-	1907 Nov. 4	By Consignment of Coffee .....	£ 100 .-
" 9	" D/P. ....	400 .-			
" 23	" Commission ...	20 15 .8			
" 30	" Transfer from Consignment A/c.	66 9 .			
" 30	" Balance ..... c/d	75 8 .8			
		£ 600 .-			£ 600 .-
			D/c. 1	By Balance ..... b/d	75 8 .8

**180. DUTIES.** As a means of revenue for the country two kinds of taxes are imposed on merchandise and manufactures. (1) Duties on certain goods produced and consumed at home, called *Excise*, and (2) Duties imposed on goods on their importation into or exportation out of a country, called *Customs*. Such duties are imposed on the basis of a schedule or list issued by the Government, called a *Tariff*, and collected by Customs and Excise officers, at the time the goods are delivered for use in this country.

If you purchase Whiskey produced at a cost of about £5, you would be required to pay in duty about £15, bringing the cost of the Whiskey up to £20. Therefore as all amounts paid for duty on Goods increase their cost, such amounts must either be debited against the goods a/c. in respect of which they are paid, or a "Duty

A/c." must be opened, the total of which, on balancing, would require transferring to the Goods or Trading A/c. affected.

### Exercise 87.

Albert and Leo Pupil, trading in partnership under the style of Pupil Bros., as Tea and Coffee Merchants, find their Assets and Liabilities on the 1st November, 1907, to be as follows :—

*Assets* :—Cash, £1846 2s. 4d.; Tea, £1680; Coffee, £900; Jas. Keen, £101 1s.; B/R. on Alfred Carr for £600, and on S. Hunt for £500. *Liabilities* :—Alfred Carr, £107 3s. 4d.; B/P. due to W. Mack, 5th Nov., for £800, and one due to J. Routh, 30th Nov., for £720. Capital belongs partners in equal shares.

(Separate A/cs. must be kept of Tea and Coffee.)

Nov. 1.	Deposited Cash in Bank	.....	£1600	.	.
,, 1.	Made advance for Petty Cash (76)	.....	20	.	.
,, 2.	Received Cheque from James Keen	.....	101	1	.
,, 2.	Remitted Alfred Carr, Cheque	.....	100	.	.
,, 3.	Sold to James Keen, Tea, £560; Coffee, £480	1040	.	.	.
,, 3.	Paid for Stationery out of Petty Cash	...	6	5	.
,, 4.	Recd. Consignment from Hugh Vint, Java, of 40 tierces of Coffee, invoiced at (179) ...	600	.	.	.
,, 5.	B/P. honoured at Bank (142) .....	800	.	.	.
,, 5.	Bought of A. Carr, Tea, £600; Coffee, £320	920	.	.	.
,, 6.	Paid in Cash, Duty on Tea (180) <i>Debit Tea</i> <i>A/c.</i> .....	20	13	4	.
	Pd. Cash Freight on Consign. from Vint (179)	30	6	8	.
,, 7.	A. Pupil and L. Pupil each drew a cheque for their private expences .... £50	100	.	.	.
,, 8.	Sold A. Carr and took his acceptance at 16 days for the amt. (146)...Coffee £550...Tea £160 .....	710	.	.	.
,, 9.	Recd. from J. Keen in settlement of his a/c. a B/E. due 15th Nov., £800, Cash £240...	1040	.	.	.
,, 9.	Remitted Hugh Vint a Bill at one month on a/c. of Consignment of Coffee for (179) ...	400	.	.	.
,, 9.	A. Carr's Bill due to-day, dishonoured (166)	600	.	.	.
,, 11.	B/R. honoured at Bank (145) ... .....	500	.	.	.
,, 11.	Alf. Carr discharged his dishonoured accept- ance, and Int. £1 13 in cash ( <i>N.B.a.</i> ) .	601	13	.	.
,, 12.	Sold James Keen, Coffee from H. Vint (179)	145	11	.	.
,, 12.	Remitted cheque for carriage on Tea (75) ...	30	11	.	.
,, 12.	Bought of Alfred Carr, Tea .....	580	.	.	.
,, 13.	Accepted Carr's draft at 1 mo. on a/c. £920 including 1 mo.'s int. £3 16 8 ( <i>N.B.b.</i> ) ...	923	16	8	.
,, 13.	Paid Wages in Cash (Trade Exs. a/c.) .....	34	5	.	.
,, 14.	Sold James Keen, Coffee .....	£320	.	.	.
,, 14.	(179) " " from Vint £180 - - -	500	.	.	.
,, 14.	Drew on J. Keen at 2 mos. including £4 3 4 for interest ( <i>N.B.c.</i> ) .....	504	3	4	.

Nov. 15.	Paid A. Carr, cheq. £577 15 - , Dis. £2 5 - ...	£580	-	-
" 15.	J. Keen's Bill due to-day dishonoured (166)...	800	-	-
	Paid Noting Charges out of Petty Cash .....	1	1	-
" 15.	Placed to our own a/c. Vint's Coffee (179)...	210	-	-
" 16.	Retired Bill due 30th Nov. by cheq. £717 5 -			
	(168) And was allowed rebate ...	2 15	-	-
" 17.	Sent Robert Keld, Newcastle, to be sold on our a/c. 84 chests Congou, 7200 @ 2/- (174)...	720	-	-
" 18.	J. Keen forwards his acceptance at 7 days with noting exp. and £10 for int. (N.B.d.).....	811	1	-
" 19.	Sold James Keen Coffee for Cheque £80 - -			
	And on credit .....	121	1	-
" 19.	Pd. in cash Carr. on Tea consign'd to Newcastle	10	13	4
" 20.	Bot. of A. Carr, Tea for Cheque... £60 - -			
	B/P. at 3 months, £200, on Credit 400 - -	660	-	-
" 21.	Discounted at Bank J. Keen's Bill : Proceeds (161) paid to Bank £500, Dis. thereon £4 3 4	504	3	4
" 22.	Recd. from R. Keld, Bill at 1 month as an advance against Consignment of Tea (174)	300	-	-
" 23.	Discounted Alfred Carr's Bill at Bank. Net proceeds £707 1. Dis. £2 19 (161) .....	710	-	-
" 25.	Forwarded A/S. of Coffee to Hugh Vint. Commission charged (179) .....	26	15	8
" 26.	Recd. from R. Keld. Newcastle, A/S. showing that Tea had realised net (177) .....	780	-	-
" 27.	Alfred Carr's Bill previously discounted at Bank returned dishonoured (166) .....	710	-	-
" 28.	Keen met his acceptance for £811 1 - due to- day with a 2 mos. bill including int. for (167)	835	7	8
" 29.	Paid Cash for Rent .....	52	10	-
" 29.	Credit each partner with Int. on Cap. £17 ...	34	-	-
" 29.	Debit partners Int.on withdrawals 8/4 ea.(76)	-	16	8
" 30.	<i>Value of Stock, Tea £2200 ; Coffee £290.</i>			

- N.B.—(a) Total in C.B.; pass interest through the Journal.  
 (b) Total in B/P. Book; pass Interest through the Journal.  
 (c) Total in B/R. Book; pass Interest through the Journal.  
 (d) Total in B/R. Book; pass Interest through the Journal.

*Answer:—Trial Balance : totals £28115 2 - ; balances £5906 - S.  
 Gross Profit on Tea, £68 15s. 8d., on Coffee, £411 1s. - ; on  
 Consignment £49 6s. 8d.; Net Profit £463 19s. 8d.; Bal. of each  
 Cap. A/c. £2198 11s. 6d. Total of B/S. £5999 8s. 4d. Cash  
 Balance £1100 8s.; Bank Balance £211 10s.*

**181. A JOINT ADVENTURE A/c.** is the record of a speculation entered into by two or more persons, in order to divide the result of the adventure. A Joint Speculation a/c. must be treated like an Outward Consignment a/c. until it is necessary to close it; that is, debit all payments and credit all receipts in respect of the goods speculated upon.

Transaction :—“ Dec. 7. Bought of Peter Shaw, Tea, on Joint A/c. with Thos. Watts, £370 14s. 6d.” Journalise :—

*Joint A/c. with Thos. Watts, Dr. £370 14 6.*

*To Peter Shaw.....£370 14 6.*

Transaction :—“ Dec. 9. Received from T. Watts, Cash for his half thereof.....£185 7 3.” Enter either in C.B. or journalise :—*Bank Dr. To Thomas Watts £185 7 3.*

Transaction :—“ Dec. 20. Sold to John Hale the Tea purchased on Joint A/c. with T. Watts.....£135.” Journalise :—

*J. Hale .....Dr. £135*

*To Joint A/c. with T. Watts.....£135.*

Transaction :—“ Dec. 20. Commission charged on sale thereof .....£6 10 6.” Journalise :—

*Joint A/c. with T. Watts.....Dr. £6 10 6.*

*To Commission A/c. ....£6 10 6.*

The Joint A/c. being a Goods A/e. is balanced by transferring *one half* of the difference to the personal a/c. of Thos. Watts, and the other half to your own P/L. A/c.

**Dr.      Joint Account with Thomas Watts. (Ex. 38.)      Cr.**

1907		£	s	d	1907		£	s	d
Dec. 7	To Tea of Peter Shaw ..	370	14	6	Dec. 20	By Sale to Hale	435	-	-
" 20	" Commission .....	6	10	6					
" 31	" Profit transferred to:								
	T. Watts A/c. £28 17 6								
	P. & L. A/c. £28 17 6								
		57	15	-					
		£	435	-			£	435	-

**182. SUSPENSE A/c.** (sometimes called a Contingent A/c.). This is an a/e. wherein various items are rerecorded, which, owing to death, oversight, postal irregularities, or want of detail or information at the time of entry, cannot be placed to their proper a/cs. in the Ledger. It is also used for adjustment and apportionments, such as rerecording the proportions of Wages, Insurance Premiums, Rates, Taxes, Gas, Electricity, Water, Trade Expenses, &c., unpaid or prepaid, which are chargeable or allowable in respect of the period for which you are preparing a P/L. A/e. For instance, suppose you are closing your books on the 31st December, and the last payment of Wages was only to the 28th, it is clear that if your Wages a/c. is to be correct

you must debit it with the amount earned in respect of those 3 intervening days, and credit what?—certainly not cash, for those wages are *not paid*, but a Suspense A/c. The transaction :—

"Dec. 30. Rent, Rates, and Taxes due £28 4 .."

must be journalised :—

*Rent, Rates & Taxes A/c. Dr. £28 4 -*  
*To Suspense A/c. .....£28 4 -*

On the other hand, insurance, rates or taxes, &c., may have been paid in *advance*, in which case the proper proportion of these items should be debited against the Suspense A/c. and the T/E. or other A/cs. credited. Whenever the sums credited to the Suspense A/c. are paid they must be debited to the Suspense A/c. and credited to Bank or Cash, e.g., "Paid Rent due last month," must be entered on the Cr. side of the Cash Book, thus :—"Dec. 5. By Suspense A/c. (Rent) £25." And on the contrary, when the period in respect of which an item was debited to the Suspense A/c. has expired, the amount must be debited to the T/E. or other a/e., and credited to Suspense A/c. In apportioning Trade Exs., &c., for a given period, a Suspense A/c. is not absolutely necessary. For instance, referring to the three days' Wages unpaid on the 31st Dec., they could be debited to the Wages A/c. for 1915, and credited to the Wages A/c. for 1916, through the medium of the Journal thus :—

1915. Dec. 31. Wages A/c. Dr. £300

1916. Jan. 1. To Wages A/c. .... £300.

Should this method be adopted it will be seen that a Nominal A/c. may show either an asset or a liability.

Dr.	Wages A/c.	Cr.
1915 Dec 21 To Bank.....	£ 30000	1915 Dec. 31 By Transfer to P. & L. A/c. £ 30000
" 28 " Bank.....	600	
" 31 " Wages owing c/d	300	
	£ 30300	
		1916 Jan. 1 By Amount owing ... £ 30900
		800

Dr.

Fire Insurance A/c.

Cr.

1917		£	s	d	1917		£	s	d
Mar. 25	To Cash .....	200	-	-	Dec 31	By amount prepaid carried down..	246	6	-
June 24	" Do. .... "	150	-	-		" Transfer to P. & L. A/c. ...	371	15	-
Sep. 29	" Do. .... "	168	-	-					
Dec. 27	" Do. .... "	100	-	-					
		£	616	-			£	618	-
1918									
Jan. 1	To amount prepaid	246	5	-					

183. **RESERVE for DOUBTFUL DEBTS**, sometimes termed **BAD DEBTS RESERVE**. In closing your books and preparing the Balance Sheet it is essential that you should make ample provision for all possible liabilities, otherwise your assets may appear greater than they actually are. It is unlikely that *all* your debtors are financially sound, and in view of possible defaulters, you should examine each personal a/c. in your Ledger, and in a memorandum book make a list of such as are in the least *doubtful*. You will then be able to form an estimate of the amount unlikely to be recovered. An allowance in respect thereof should be charged against the current profits by being debited to the P. & L. A/c., and credited to the *Reserve for Bad Debts A/c.* It is a common practice to " write off " at each balancing a given *percentage*, say 5% on the total of the book debts. If there be a Cr. balance on the *Reserve for Bad Debts A/c.* at the end of the previous year, this amount *may be deducted* from the new percentage allowance.

No further entry must be made in this a/c. until the next balancing. All **bad debts** occurring between one balancing and another must be placed, as usual, to the " **Bad Debts A/c.**" as directed by par. 74. When closing the books the total of the " **Bad Debts A/c.**" must be transferred to the Dr. side of the " **Reserve for Bad Debts A/c.**" and the Cr. balance of the latter a/c. carried down. If the total of the " **Bad Debts A/c.**" should exceed the amount of the Reserve, the *difference* must be debited (by Journal entry) to the P. & L. A/c., and credited to the " **Reserve for B/D. A/c.**" in which case, the latter would, of course, balance. After thus

closing the "Bad Debts A/c." and adjusting the "Reserve for B/D. A/c." the percentage allowance for the following period must be ascertained, such amount being debited to the P. & L. A/c., and credited to the "Reserve for B/D. A/c." If the total of the Bad Debts does not exhaust the Reserve, and no further provision is required, there is nothing to charge to the P. & L. A/c. By way of illustration the following transactions are recorded below :—

1917. Jan 1 Balance of Reserve of 5% for Bad Debts on £5000 b/f . . . . . £250
- June 30 Total of Bad Debts A/c. on closing books £150  
(Journalise "R. for B/D A/c," Dr. to B/D A/c. £150)
- June 30. Reserve 5% for Bad Debts on ... £4500  
after allowing £100, being credit bal of Reserve  
for B/D A/c .. .... £125  
(Journalise P/L A/c. Dr To R. for B/D. A/c...£125)
- Dec. 31. Total of Bad Debts A/c on closing books £285  
(Journalise R. for B/D A/c Dr to B/D. A/c. £285)  
(Journalise P/L A/c Dr to R for B/D. A/c. £60)
- Dec 31 Reserve 5% for Bad Debts on £5500 .. ... £275

Dr.	Reserve for Bad Debts A/c.	Cr.
-----	----------------------------	-----

1917		£	1917		£
June 30	To Bad Debts A/c " Balance c/d	150 225	Jan 1 June 30	By Balance . . . b/f " P. & L A/c ....	250 125
		<u>£375</u>			<u>£375</u>
Dec 31	To Bad Debts A/c " Balance c/d	285 275	July 1 Dec 31 " 31	By Balance . . . b/d " P & L A/c .. " P & L A/c . . .	225 60 275
		<u>£560</u>			<u>£560</u>
			1918 Jan 1	By Balance . . . b/d	£275

The record in the Profit & Loss A/c. would be :—

- Dec. 31. To Bad Debts written off . . . . . £285  
Add Reserve for Bad Debts  
on £5500 @ 5% ..... 275—£560
- Less Cr. Balance of Reserve b/f.....
- 225—£335

When preparing the Balance Sheet, the amount standing to the credit of the "Reserve for Bad Debts A/c." should not be entered on the Liabilities side of the sheet, as other credit balances are, but should be deducted from the total amount of book debts or debtors entered on the Assets side, thus reducing the amount of that asset to its true value, as follows :—

<i>Sundry Debtors on Open A/cs.</i>	£5500
<i>Less Bad Debts Reserve</i>	275—£5225

In Exercise 38 enter in the Balance Sheet as follows :

*Sundry Debtors, viz. :—*

<i>Rufus Kemp</i>	£525 6 8
<i>John Hale</i>	435 - - 960 6 8
<i>Less Bad Debts Reserve...</i>	20 - - 940 6 8
<i>Leo Pupil's Capital A/c....</i>	4 111

**184. RESERVES for DISCOUNT.** It is customary in most trading concerns to allow cash discounts in respect of payments made within a stated period. It would therefore be incorrect to place the *full* amount of the *book debts* as an *asset* in the B/S., seeing that most of the debtors will claim discount on their respective payments. It is accordingly advisable to charge against the current profits a given percentage—say 5%—on the total amount of the book debts, *after deducting* the Reserve for Bad Debts. For instance, suppose the debtors' balances to be £6000, upon which £300 has been reserved for Bad Debts, the allowance for Discount would be reckoned on the reduced amount of £5700. No further entry must be made in the Reserve for Discount A/c. until the next balancing, when the total of the *actual* Discount A/c. would be transferred and debited to it, in a similar manner to the total of the Bad Debts A/c., referred to in the last paragraph.

Dr.	Reserve for Discount on Debtors' A/c.	Cr.
1917		£
June 30	To Discount allowed for half-year as per C.B ..... " Balance ..... c/d	£ 240 868
		<u>£ 608</u>
30		1917
		Jan. 1
		By Balance b/f being 5% on Book Debts, £5700 ...
		" P. & L. A/c. 5% on Book Debts, £7360 (after de- ducting reserve)
		285 823
		<u>£ 608</u>
Dec 31	To Discount allowed for half-year as per C.B ..... " Balance ..... c/d	£ 400 375
		<u>£ 775</u>
" 31		July 1
		" 31
		By Balance ..... b/d " P. & L. A/c. .... " P. & L. A/c. 5% on Book Debts, £7500
		368 32 375
		<u>£ 775</u>
		1918
		Jan 1
		By Balance ..... b/d
		375

The record in the Profit & Loss A/c. in each case would be as follows :—

June 20. To Discount allowed on Sales... £240

Add Reserve for Discount on  
Debtors £7360 @ 5% ..... 368—£608

Less Cr. Balance of Reserve b/f.                    285—£323

Dec. 31. To Discount allowed on Sales £400

Add Reserve for Discount on  
Debtors £7500 @ 5% ..... 375—£775

Less Cr. Balance of Reserve b/f.                    368—£407

The record in the Balance Sheet on 30th June would be :—

Sundry Debtors on Open A/cs. ..... £7748

Less Bad Debts Reserve ..... 388—£7360

Less Reserve for Discount .....                    368—£6992

Reserve for discount on creditors may also be deducted in a similar manner as the reserve on debtors; the result, of course, being quite opposite in its effect.

Dr.	Reserve for Discount on Creditors A/c.	Cr.
1917 Jan. 1	To Balance b/f. being £5700 .....	£ 295
June 30	" P. & L. A/c. 5% on sum due to Creditors £7360	828
		£ 608
July 1	To Balance ..... b/d	368

The record in the Profit & Loss A/c. would be :—

June 30. By Discount allowed on Purchases... £240  
*Add* Reserve for Dis. on Creditors... 368 — 608  
*Less* Dr. Balance on Reserve b/f. 285 — £323

The record in the Balance Sheet would be as follows :

Sundry Creditors on Open A/cs. .... £7360  
*Less* Reserve for Discount ..... 368 — £6992

### Exercise 38.

On the 1st Dec., 1907, Albert and Leo Pupil entered into Partnership; the arrangement being that Albert was to find all the Capital, and that he was in consequence thereof to have two-thirds of the profit, whilst Leo was only to have the remaining one-third.

*Assets* :—Cash at Bank, £772 13 6, B/R. due 21st Jan., £45 16 6, Consign't. to Hume & Co., Madras, £430 18 6, Merchandise on hand £529 1 8, Cash £27 6 6, Office Furniture £75, Consignment from Dent & Co., Calcutta, £540. *Liabilities* :—B/P. due 16th Dec., £50, B/P. due 21st Feb. £300, Suspense A/c. for Rent, Rates, Taxes, &c., £30 16 8, Dent & Co., £240, A. Pupil's Cap. £1800. All receipts and payments through the Bank unless otherwise stated.

Dec. 2.	Sold to Joseph Turner, Goods .....	£330 10 6
,, 2.	Drew a bill at 2 mos. on J. Turner (146, 171) And allowed him Discount .....	322 6 10 8 3 8
,, 5.	Paid rent due last month (182) .....	25 - -
,, 6.	Sold to Rufus Kemp, the Consign't. of Goods on a/c. of Dent & Co., Calcutta (179) .....	525 6 8
,, 6.	Our Commission for selling same .....	7 17 6
	Our charges on same deducted from A/S. ...	4 13 2
	<i>Dent &amp; Co., Dr. to Com. &amp; Charges A/c.</i>	
	£12 10 8. Paid out of Cash Dock Charges thereon .....	3 16 8

Dec. 7.	Bought of Peter Shaw, Tea on Joint a/c with Thomas Watts (161) ....	£370 14 6
" 9.	Received from T. Watts, for his bill (141) .....	1 5 7 3
" 11.	Discounted with Bank, Draft on J. Turner Dr £4 16 s, cred (161) .....	322 6 10
" 13.	Received A/S' from Hurne & Co., Madras, showing that part of our Consignment to them had realised, after deducting Com. and charges the sum of (176)	339 16 9
	Leaving balance unsold . . . . .	£1 19 9 9
" 16.	Drew on Hurne & Co., at 1m + fr (115, 171)	336 18 9
" 17.	Paid Bill falling due this day (142) .....	69 - 6
" 20.	Paid Taxes due last Nov. out of Cash (182) .....	516 6
" 20.	Sold to John Hale, the Tea brought on Joint a/c. with I. Watts (161) .....	425 - -
	Commission charged on sale thereof .....	6 10 6
" 20.	Retired by Bank, B/P Rebate £2 6 8 (168) .....	237 13 4
" 30.	Office Expenses, paid out of Cash .....	4 10 -
	Clerk's Salary paid .....	10 - -
" 30.	Rents, Rates and Taxes, due (162) .....	28 4 -
" 30.	Partners' withdrawals, Alb £90, Lt £35(75)	95 - -
" 30.	Credit Interest on A Pupil's Capital (71) .....	6 5 -
" 30.	Allot for Depreciation of Furniture (82) .....	1 - -
" 30.	Receiv for Bad Debts (163) .....	20 - -

Merchandise on hand £255 9 6

Answer.—Trial Balance totals £6208 7, Balances £3041 10 1;  
*Gross Profit on Goods £59 18 4, or Joint A/c. £28 17 6; or  
 Consignment, £65 10, Net Prof. £92 14 4, Balance of A.P.  
 Cap. A/c. £160 1 3, Dr. Balance of I P Cap A/c. £1 1 11,  
 Total of F.D. £2699 3 10. Cost before £1334 20; Credit  
 Balance, £87 17 7*

185. A TRIAL BALANCE may either consist of (1) the total postings to the Ledger, or (2) simply the differences or balances of the postings. The former method is the more advantageous one when all the transactions are journalised, because in addition to the equalisation of the totals you have the further check afforded by their agreement with the totals of the Journal. The second plan of taking out the balances is the one adopted in business and most examinations, as it exhibits in a very concise form the information from which, after the value of the goods on hand, or on consignment, &c., has been estimated, and the depreciation of buildings, machinery, plant, furniture, &c., as been written off, a P/L. A/c. and a Balance Sheet may be constructed. In practical work you must not

fail to remember that the totals or balances of the various columns in that section of the Ledger, known as the Cash Book and Petty Cash Book, require to be included in the Trial Balance.

The differences shown in the Trial Balance of the Personal A/cs., and of Cash, Bank, B/R., B/P., &c., give the correct amounts of the debit and credit balances without further manipulation. It is well for the book-keeper to prepare a rough T.B., monthly or at least quarterly, so that in case of errors or omissions they may be discovered and rectified without being put to the annoyance of having to search through numerous entries extending over a long period of time. The adoption of this suggestion will greatly facilitate the closing of the books at the half-yearly or annual balancing.

186. A Trial Balance, the totals of which agree, does not conclusively prove the accuracy of the books, as it will not disclose the following errors :—(1) An amount posted to the wrong account, although on the right side of the Ledger. (2) An error in the book of original entry, such as the purchase of goods amounting to £53 7s. entered in the Purchases Book as £5 3s. 7d. (3) A compensating mistake, i.e., £50 5s. posted to the debit of a customer in the Sales Ledger as £30 5s., and the undercasting of the Sales Book by £20.

187. The disagreement of a Trial Balance may arise from any of the following causes : (1) Omission to post an item from the book of original entry to the Ledger. (2) Mistake in posting an item, such as the transposition of £42 6s. to £1 2s. 6d. (3) Posting an item to the debit instead of the credit, or vice versa. (4) Extracting the balance as a debit instead of a credit, or vice versa. (5) Omitting a balance altogether. (6) Casting a Ledger a/c. wrongly, and thus causing a mistake in the balance. (7) Casting the book of original entry wrongly, thus causing an error in the total posted to the Impersonal account.

188. After all the a/cs. have been balanced and the Trading and Profit & Loss A/cs. have been prepared, a second or short Trial Balance of the remaining balances may be compiled. As all the subsidiary a/cs. of profit and loss will have been closed and transferred, and the net result carried to the Capital A/c., the only balances remaining will represent Assets and Liabilities, from which a Balance Sheet may be prepared. Compare the full or first Trial Balance with the short or second Trial Balance of Exercise 39.

First or Full Trial Balance of Exercise 39.

Ledger Accounts.	Totals.			Balances.			
	Dr.	Cr.		Dr.	Cr.		
	£ s d	£ s d		£ s.d.	£ s d.		
A. Pupil, Cap A/c..		2110	- -		2410	- -	
A. Pupil, Drwgs A/c	20	- .		20	- -		
I. Pupil, Cap A/c..		1205	- -		1205	- -	
L Pupil, Drwgs A/c	25	- .		25	- -		
Office Furniture ....	50	- .		50	- -		
Bills Receivable A/c	850	- .	550	300	- -		
Bills Payable A/c ..	700	- .	1057		357	- -	
Stock A/c.....	1400	- .		1400	- -		
Sales A/c.....		550	- -		550	- -	
Con. from Gray's ..	1000	- .	1160		160	- -	
Con. to Platt & Co..	378	- .	386 10		8 10	- -	
Commission A/c...		55	- -		58	- -	
Interest A/c.....	15	- .		15	- -		
Discount A/c .....	10	- .		10	- -		
Trade Expenses A/c	37	5 6		37	5 6		
Suspense A/c. ....		27 10	-		27 10	-	
Bad Debts A/c. ....	100	- -		100	- -		
Gray & Co. ....PL	1160	- -	1000	- -	160	- -	
National Dis. Co. "	300	- -	300	- -	- -	- -	
John Boyd ....S L	600	- -		600	- -		
Coles & Co..... "	400	- -	400	- -	- -	- -	
May & Co. .... "	650	- -		650	- -		
Nevill Bros..... "	510	- -		510	- -		
S. Platt & Co... "	386 10	- -	250	- -	136 10	-	
Robey & Son .. "	500	- -	600	- -		100	- -
Thomas Wood.. "	300	- -		300	- -		
Cash A/c.....	1249 10	- -	818	- -	431 10	-	
Petty Cash A/c. ....	15	- -	9 15 6		5 4 6		
Bank A/c.....	885	- -	750	- -	135	- -	
	£ 11531 15 6	£ 11531 15 6		£ 4876	- -	4876	- -

## Second or Short Trial Balance of Exercise 39.

Ledger Accounts.	Assets. Dr.			Liabilities. Cr.		
	£	s	d	£	s	d
A. Pupil, Capital A/c.....				2398	4	8
L. Pupil, Capital A/c.....				1185	9	10
Stock of Cotton.....	950	-	-			
Office Furniture.....	50	-	-			
Bills Receivable A/c.....	300	-	-			
Bills Payable A/c.....				357	-	-
Suspense A/c.....				27	10	-
John Boyd .....	600	-	-			
May & Co. ....	650	-	-			
Nevill Bros. ....	510	-	-			
S. Platt & Co. ....	136	10	-			
Robey & Son .....				100	-	-
Thomas Wood .....	300	-	-			
Cash A/c.....	431	10	-			
Petty Cash A/c.....	5	4	6			
Bank A/c.....	135	-	-			
	£	4068	4	6	£	4068

## Exercise 39. (Lanc &amp; Cheshire Union Exam, 1894)

Albert Pupil's Cap. consists of.—Cotton, £1000, Bank, £500, Debts owing to Thos. Wood, £300, and John Boyd, £600. Total £2400.

Leo Pupil's Cap. consists of Cotton, £400, Cash, £400, Debt owing by Coles & Co., £400, Total £1200. (N.B.) 1st Jan., 1908.

Divide result of trading, three-fifths to Albert, two-fifths to Leo.

Jan. 1.	Bought of Holt & Co., Office Furniture and paid by Cheque on Imperial Bank (81) ..	£50	-	-
,, 1.	Cash advanced to Petty Cash A/c. (76) ..	15	-	-
,, 1.	Paid to Bank L. Pupil's Cash Capital .....	385	-	-
,, 5.	Consigned to Sam Platt & Co., (per S. S. "Venus") Cotton to be sold for our A/c.(174) ..	350	-	-
	Drew on S. Platt & Co., at 15 days' sight for ..	250	-	-
,, 7.	Sold to Robey & Son, Cotton ... ..	200	-	-
,, 8.	Recd. of Robey & Son, Acceptance at 1 mo. of Coles & Co., due 21st January (146, 171) ..	300	-	-
,, 8.	Recd. from Gray & Co., Consign. of Cotton (per S.S. "Finsbury") to be sold for their a/c.; invoiced at (179) ... ..	1000	-	-
,, 10.	Accepted Gray's Draft at 14 days (146, 172) Discounted with National Dis. Co. Coles & Co's Acceptance £300, recd. cash (161) ..	700	-	-
,, 14.	Sold May & Co., Cotton, part of consignment from Gray & Co. (179) .. ..	299 10	-	-
	Our commission on above sale .. ..	650	-	-
		32 10	-	-

Jan. 14.	Paid Freight and charges on consignment (per S.S. "Venus") to Platt's (174) .....	£28 . .
,, 14.	Paid Dock Dues and Charges on Gray & Co.'s consignment to us (179) .....	45 . .
,, 21.	Cole's Acceptance dishonoured (166) .....	300 . .
,, 21.	Received from S. Platt & Co., A/S. of Cotton consigned to them; proceeds (177) .....	386 10 .
,, 23.	Accepted a composition of 15/- in the £ from Coles & Co. in respect of their <i>book debt</i> of £400, and received from them their P/N. at 6 mos. for the comp. (74, 95a, 146, 171)...	300 . .
,, 23.	Recd. cheq. for amt. of dishonoured Accept- ance of Coles & Co., from Robey & Son, and endorsed it National Dis. Co. .... ( <i>National Dis. Co. Dr. To Robey &amp; Son.</i> ) <i>(In practical work enter in Cash Book "To</i> <i>Robey &amp; Son £300" "By National Dis-</i> <i>count Co. £300")</i>	300 . .
,, 25.	Recd. Cash for our Bill on S. Platt & Co.(146)	250 . .
,, 27.	Sold to Neville Bros., balance of Cotton con- signed to us from Gray & Co. (179) .....	510 . .
	Our Commission on the above .....	25 10 .
,, 27.	Bank pd. our acceptance of Gray's Draft(146)	700 . .
,, 29.	Accepted Gray's draft at 30 days' date (146, 172) ...	357 . .
,, 31.	Office Rent <i>due this day</i> (182) .....	12 10 .
	<i>Due to H. Law for Salary</i> .....	15 . .
	Paid Expenses out of Petty Cash .....	9 15 6
	Int. on Cap., Alb. £10; Leo £5 (71) .....	15 . .
	Cash withdrawn by A. Pupil on private a/c. (78) .....	20 . .
	The like by Leo Pupil .....	25 . .

*Stock of Cotton, £950.*

N.B.—Combine the Opening Entries by debiting Bank £500,  
Cash £400, Cotton £1400, Wood £300, Boyd £600,  
Coles & Co. £400, and credit A. Pupil £2400 and L.  
Pupil £1200.

Answer.—*Gross Profit on Cotton, £100, on Consignment, £8 10.  
Net Profit, £13 14 6. Bal. of A. P. Cap. A/c. £2396 4 8.  
L. P., £1185 9 10. Total of B/S., £4068 4 6.*

**189. SALES on COMMISSION.** Merchants may occasionally hand you a sample of goods with the view to your effecting a sale on their a/c. and at their risk, for a stipulated commission. You do not take possession of the goods, but merely submit a sample to likely buyers, upon which sample you obtain an order, say from Henry Tew for £100 worth. You dispatch the order to your principal, James West, who invoices and forwards the goods direct to H. Tew. In such an agency transaction as this, no responsibility whatever

rests upon you, as the purchaser becomes the debtor of your principal. The only entry required in your books would be in respect of your commission, and this entry you would make on transmitting the order to your principal as follows :—*James West.....Dr. £5*

*To Commission A/c. ....£5*

When such commission transactions are numerous it is well to record full particulars in a **Commission Sales Book**, giving the date, name and address of seller, name and address of buyer, particulars of the goods, total net value, Ledger folio, amount of commission. All amounts in the Commission column would be posted to the debit of your principals, and the monthly total posted to the Commission A/c. The total of the Commission A/c. would be transferred to the Trading or P. & L. A/c. on balancing.

**190. ON SALE or RETURN.** In some businesses it is usual to forward goods on appro. (or approval), the customer having the option of buying or returning such goods within a specified or reasonable time. Although such transactions must *not* be treated as **Sales**, nor the persons to whom the goods are sent as **Debtors**, a proper record must be kept in the form of a **Sales or Returns Day Book**, similar to the following :—

Goods sent on Sale or Return			Date	Value of Goods Returned	Value of Goods sold	Sales Ledger Folio.
Date	Particulars	Amount	(4)	(5)	(6)	(7) (8)
(1)	(2)	(3)				

When goods are sent on Sale or Return they are entered in columns 1, 2, 3; if returned, further entries are made in columns 4 and 5; if sold, proper entries would then be made in columns 4, 6, and 7.

When the goods are retained, their value will be posted to the debit of the customer in the Sales Ledger, and the folio inserted in column 8 of the above book. The total of column 6, Goods Sold, will be posted to the credit of the Sales A/c.

The difference between the totals of columns 5 and 6 taken together, and that of column 3, will represent the

goods outstanding on any given date. The value of these unsold goods must be included when taking stock, which will not, of course, be the amount stated in this book, but the cost, or under.

When transactions in goods sent out on Sale or Return are so few as not to warrant a special book, they may be recorded at the end of the Sales Day Book, a transfer entry being made to the Sales Day Book itself when the goods are sold.

#### Exercise 40.

*Assets* :—Cash £241 17s. 8d.; Bank £193 19s. 11d.; Goods £172 11s. 2d.; Business Premises £1500; B/R.:—Tom Long £64; J. Plant £47 1s. 6d.; W. Reed £192 5s. Book Debits:—Chas. White £39; Tom Long £19 7s. 1d. Liabilities:—B/P. to J. Ince £92 1s. 9d.; Bal. due to Wm. Hill £322 1s. 6d.; Cap. £2055 19s. 1d.

	<i>Transactions.</i>	£ s. d.
1908.		
Feb. 1.	Discounted Long's bill at Bank, Dis. £1 ...	64 - -
" 2.	Bought of W. Hill, Goods .....	31 15 2
" 4.	My acceptance lifted at Bank (142) .....	92 1 9
" 5.	Bot. of John Battye, Goods for Cash, £95. Dis. £5 .....	100 - -
" 6.	Sold Goods to T. Long .....	196 19 10
" 6.	C. White .....	45 - -
" 7.	Paid Water Rate in Cash .....	19 15 -
" 10.	Recd. C. White's Acceptance at 1 mo. (146,171)	39 - -
" 13.	J. Plant's Acceptance paid in Cash (146) .....	47 1 6
" 15.	Recd. of T. Long, Cash £17 8 5. Dis. £1 18 8	19 7 1
" 16.	Bought of John Battye, Goods .....	210 - -
" 17.	Sold for and at the risk of Jas. West to Hy. Tew, Goods £100, my Com. thereon being (189) .....	5 - -
" 19.	Recd. of T. Long, Acceptance at 2 mos. (146, 171) .....	196 19 10
" 22.	Sold C. White, Goods for cheque .....	75 - -
" 22.	T. Long " "	73 10 9
" 23.	Paid into Bank .....	40 - -
" 23.	Handed W. Hill my Acceptance at 1 mo. (146, 172) .....	100 - -
	also my cheque for .....	38 3 -
	also T. Long's Acceptance .....	196 19 10
	which with Dis. settles his a/c. ....	18 13 10
" 24.	T. Long returned goods for not being equal to sample (112) .....	27 - -
" 25.	C. White is bankrupt and I receive a first and final dividend of 3/- in the £ (74, 95a) ... <i>Note transaction on the 10th. As the divi-</i> <i>derd is also in respect of the amount of the</i> <i>B/R., the latter must be disposed of through</i> <i>the Journal thus: "C. White, Dr. To B/R.,</i> <i>£39."</i>	12 12 -

Feb.27.	T. Long's discounted Acceptance, due to-day, returned dishonoured (166) .....	£64 - -
	Paid Noting in Cash .....	. 6 -
,, 28.	Paid L. & Y. Co. Carr. of Goods by cheq. (75) .....	7 6 8
,, 28.	Paid Wages in Cash .....	23 10 -
,, 28.	Paid Travelling Expenses in Cash .....	20 - -
,, 28.	Credit Interest on Capital (71) .....	15 - -
,, 28.	Depreciation in value of Premises (82) .....	37 10 -

*Stock of Goods £405.*

**Answer:**—Trial Balance : totals £4646 13 4 ; balances £2798 4 10.  
*Gross Profit £254 4 3. Net Profit £85 9 9. Bal. of Capital £2156 8 10. Total of B/S. £2466 8 10. Cash Balance £268 19 4, Bank Balance £95 8 6.*

### Exercise 41.

On 1st March, 1908, the Books of A. Pupil and L. Pupil (trading as Pupil Bros.) showed the position of their affairs to be as follows :—

LIABILITIES.	£ s d	ASSETS.	£ s d
Bills Payable—			
No. 52, due 18 Mar. 800		Cash in hand .....	£68 10 6
" 53, due 26 " 265 10	565 10	" at Bank .....	681 7 6
Sundry Creditors—			649 18 -
C. Lyon & Son £350 13 6		Bills Receivable—	
G. Wood & Co... 179 10		No. 76 R Hanson £50	50 -
W. Morris & Sons 410 5	910 7 6	" 77, T Wills ... 60 2 6	60 2 6
CAPITAL—		" 78, J. Ross ... 75 10 -	75 10 -
Albert Pupil..... £830 -		Sundry Debtors—	185 12 6
Leo Pupil ..... 331 8	1162 8	Thos. Wills ..... £72 10 6	72 10 6
		Jones & Co ..... 142 7 -	142 7 -
		Joseph Ross ..... 59 2 6	59 2 6
		Brown Bros. ..... 73 5 -	73 5 -
		Stock of Goods .....	317 5 -
		Furniture & Fittings .....	1820 10 -
			165 -
			£ 2668 5 6

Leo Pupil is to receive a salary of £200 per ann., and 5% per ann. int. on the cap. of each partner is to be charged ; profit or loss to be divided as follows :—A. P. two-thirds, L. P. one-third.

Mar. 2.	Bought of C. Lyon & Son :	£ s. d.
	M30—1316—Fancy Worsted, 52 1317 "	51 = 103 @ 8/- 41 4 -
,, 3.	Sold to Thomas Wills :—	
	Q310—987—Woaded Worsted, 50 988 "	51 = 101 @ 10/- 50 10 -
,, 3.	Received (and paid " into Bank) from Thos. Wills, £70, Dis. £2 10 6 (91) .....	72 10 6
,, 5.	Sold to Thomas Johnson, 2 pieces of :—	
	O10—599—Indigo Serge..... 52 600 "	50 1/2 = 103 for ... 39 9 6
,, 5.	Paid Cash—Wages .....	6 2 -
,, 7.	Sold J. Ross : XI.—707—President 50 1/2 @ 4/-	10 3 -

Mar. 7.	Bought of G. Wood & Co. :-	
A7—293—Woaded Worsted, 52		
293                  "                  50		
295                  "                  51½		
296                  "                  50½ = 291 @ 7/-	71 8	-
" 7. Recd. from Jones & Co., Comp. of 10/- in the £ in settlement; paid same to Bank (74, 95a) ...	71 2	6
" 7. Pd. G. Wood & Co.—Chq. 4175, Dr. £4 10 - 179 10		-
" 10. Sold Brown Bros. 1.12—763—Fancy 52 @ 4/- 11 14		-
" 10. Paid into Bank—Bill No. 76 £50, No. 77 £60 2 6, No. 78 £75 10 (145) . . . . .	183 12	6
" 10. Sold to Geo. Hart :—		
P71—989—Woaded Worsted, 51 @ 10/- ...	25 10	-
" 10. Bought of G. Wood & Co. :-		
F7—312—Fancy, 50		
313                  "                  51		
314                  "                  51 = 152 @ 3/- . . . . .	22 10	-
" 11. Accepted C. Lyon & Son's draft at 3 mos. (146, 172) ...	346 10	-
Discount allowed (Cash Book) ...	4 2	6
" 12. Sold to J. Ross, XI—702—President 52 @ 4/- 10 8	-	-
" 12. Paid Cash—Wages .. . . . .	6 4	6
" 12. Received Cash for Sundry Small Sales .. . . . .	4 10	6
" 14. Sold to Brown Bros :—		
U71—801—Indigo Serge 52		
802                  "                  50 = 102 @ 6/6 ..	33 3	-
" 14. Advised Bank to meet Bill No. 52 (142) .. . . . .	200	-
" 16. Bought of C. Lyon & Son :—		
R72—1417—President. 52		
1418—                  "                  51½		
1419—                  "                  50½ = 154 @ 2/3 ..	17 6	6
" 16. Accepted W. Morris & Son's draft at 2 mos. (146, 172) ...	405	-
Discount allowed (Cash Book) ..	5 5	-
" 18. Sold to John Child :—		
F77—919—Fancy Worsted, 52 @ 12/- .. . . . .	31 4	-
" 19. Sold to William Bell —		
P71—990—Woaded Worsted, 50½		
991—                  "                  51½ = 102 @ 10/- 51	-	-
" 19. Paid Cash—Wages .. . . . .	6 2	-
" 21. Sold to Arthur Ford :—		
O10—703—Indigo Serge, 51 @ 6/6 .. . . . .	16 11	6
" 21. Bought of George Hart :—		
B67—515—Indigo Serge, 51		
517—                  "                  52½		
508—                  "                  50½ = 154 @ 5/- 38 10	-	-
" 21. Recd. of J. Ross and pd. to Bank £57 13, Dis. 1 9	6	-
" 21. Received Advice from Bank—(166)		
Rd. Hanson's Bill Dishonoured; Ex. 5/6... 50 5	6	-
" 21. Advised Bank to meet Bill No. 53 (142) .. . . . .	265 10	-

Mar. 24.	Bought of Wm. Morris & Sons :—	
	E21—1279—Fancy Worsted, 50	
	1280— " 51½	
	1281— " 50½ = 152 @ 8/- £60 16 -	
„ 24.	Recd. of Brown Bros., 2 mos. bill, £72, Dis.	1 5 -
„ 26.	Sold to King & Co. :—	
	M107—709—President, 51½	
	710— " 50½	
	711— " 52 = 154 @ 3/6 ... 26 19 -	
„ 26.	Sold to Samuel Green :—	
	A100—992—Woaded Worsted, 52 @ 10/3 .. 26 13 -	
	Paid Cash—Wages ..... 6 3 -	
„ 28.	Recd. of Thomas Wills, 3 mos. bill, £50, Dis.	- 10 -
„ 29.	Bought of C. Lyon & Son :—	
	W15—1491—President, 50½	
	1492— " 52	
	1493— " 51	
	1495— " 57 = 210½ @ 5/- ... 52 12 6	
„ 29.	Sold to Hick Bros. :—	
	F77—920—Fancy Worsted, 50 @ 12/- ..... 30 - -	
„ 29.	Sold to T. Wills : Z29—717—President, 52 @ 1/- 10 8 -	
„ 30.	Sold to William Bell :—	
	P71—993—Woaded Worsted, 53 @ 10/- ... 26 10 -	
„ 31.	Received Cash for Sundry Small Sales ..... 6 15 -	
„ 31.	Bought of George Hart :—	
	C12—605—Indigo Serge, 51	
	600— " 51½	
	607— " 50½ = 153 @ 6/- 45 18 -	
„ 31.	Sold to J. Ross—X1—808—President, 51 @ 4/- 10 4 -	
„ 31.	Paid Cash—Travelling Exs. during month... 20 5 -	
	Paid Cash—Carriage during month ..... 7 8 6	
„ "	Bank Charges for month (72, 92) ..... 2 5 -	
„ "	Leo Pupil's Salary paid by Cheque (76) ..... 16 13 4	
„ "	Credit Int. on Cap.:—A. P. £3 9 2, L.P. (71) 1 7 8	
	Value of Goods on hand, £1350.	

Answer:—Trial Balance : totals £5655 18 8; balances £2698 19 10.  
 Gross Profit, £100 10 6. Net Loss, £38 10 8. Bal. A.P.  
 Cap. A/c. £807 15 4, L.P. Cap. A/c. £320 18 10. Total of  
 B/S £2230 15 2. Cash bal. £27 11, Bank bal. £156 2 8.

Exercise 42. (W.R.C.C. Inter., 1897.) Tabular.

You are required to pass the following Waste Book entries through the Bought and Sold Day Books (which should both be summarised or dissected, see page 92), the Cash Book, Bill Books, and Journal into Messrs. Maxey and Bell's Bought, Sold, and Private Ledgers opening subsidiary Goods and P/L. A/cs., and having balanced the A/cs. to draw out a T.B. showing balance, a P/L. A/c., and a B/S., journalising the Closing Entries, Unless stated otherwise, all receipts are paid into, and all payments out of the Office Cash.

Chas. Maxey and Walter Bell enter into partnership under name of Maxey & Bell, on 1st Apr., 1906. Maxey is  $\frac{5}{6}$  thirds and Bell one-third of the profits. Int. at  $\frac{5}{6}$  per cent.

allowed on the Partners' Capital. A Bank A/c. is opened, C. Maxey pays therein £3250 and W. Bell £1625. (*Enter in Cash Book.*)

They purchase the business and Stock of Herbert Lanfeat, Cheese, Bacon, and Butter Merchant, at £4057 16s., as follows:—	
Bacon, £1550; Cheese, £900; Butter, £1150; Boxes, Cases, &c., £32 10s.; Fittings, Fixtures and Furniture £125 ( <i>Enter in Journal</i> ) .. .. .. .. ..	£4057 10 -
Maxey & Bell pay by cheque to H. Lanfeat .. .. .. .. ..	2557 10 -
And Accepted his draft at 3 mos. for balance (148) ... .. .. .. ..	1500 -
Apl. 2. Bot. of Chas. Gould : Bacon, £325; Cheese, £155 .. .. .. .. ..	480 -
" 5. Accepted Bill at 3 mos. payable to C. Gould .. .. .. .. ..	40 -
" 9. Sold J. Clark : Bacon £125; C. £50; B. £16 .. .. .. .. ..	221 -
" 9. Sold for Cash : Bacon £32 10s.; Cheese £13; Butter £5 10s. .. .. .. .. ..	71 -
July 4. Paid by Cheque Bill falling due to-day (146) .. .. .. .. ..	1500 -
" 8. Retired by Cheq. Bill maturing to-day (146) .. .. .. .. ..	480 -
" 8. Sold J. Clark : Bacon £170; Butter £127... .. .. .. .. ..	297 -
" 9. Bought of Henry Johnson : Butter .. .. .. .. ..	230 -
" 9. Accepted H. Johnson's Draft at 3 mos. .. .. .. .. ..	220 -
" 9. J. Clark returned bacon because badly bruised .. .. .. .. ..	12 10 -
" 9. W. Bell takes for private purposes : Bacon £10; Cheese £1; Butter £7 10s. (78) ( <i>Sales Book</i> ) .. .. .. .. ..	18 10 -
" 9. Purchased for Cash : Bacon .. .. .. .. ..	5 -
" 9. Paid Cheque for Boxes, Cases, &c. .. .. .. .. ..	125 -
Oct. 4. James Clark pays Cash, which is at once paid into the Bank £190. Allowed Dis. £15 10s. .. .. .. .. ..	505 10 -
" 12. Met by Cheque Bill falling due to-day (146) .. .. .. .. ..	230 -
" 12. C. Maxey withdraws by Cheque for private use .. .. .. .. ..	50 -
" 12. W. Bell withdraws for private use : Cash (78) .. .. .. .. ..	12 10 -
Nov. 1. Bot. of C. Gould ; Bacon £300; Cheese £150 .. .. .. .. ..	450 -
" 15. Pd. Cheque to C. Gould £127 10; Dis. £22 10 .. .. .. .. ..	450 -
1907.	
Feb. 4. Bought of H. Johnson : Butter .. .. .. .. ..	400 -
" 4. Accepted H. Johnson's draft at 3 mos. (172) .. .. .. .. ..	400 -
" 5. Sold J. Clark : Bacon £250; C. £200; B. £75 .. .. .. .. ..	525 -
" 5. Recd. Cash on A/c. from James Clark .. .. .. .. ..	100 -
" 7. Sold Wm. Morris : Bacon £225; C. £175; B. £71 .. .. .. .. ..	471 -
" 7. Recd. from W. Morris, and pd. into Bank (91) .. .. .. .. ..	200 -
" 15. Paid Wages in Cash .. .. .. .. ..	52 -
" 15. Paid by Cheque, year's rent of premises .. .. .. .. ..	75 -
" 16. Sold for Cash : Bacon £80; Cheese £12 10s.; Butter £56 10s. .. .. .. .. ..	149 -
" 16. Paid into Bank .. .. .. .. ..	250 -
" 23. Boxes, Cases, &c., used during the year may be charged to the following :—Bacon £66 10s.; Cheese £30; Butter £25 .. .. .. .. ..	121 10 -
28. Value of Boxes, Cases, etc., on hand .. .. .. .. ..	36 -

Feb. 28.	<i>Stock of Goods on hand : Bacon £1896 10s.; Cheese £1064 10s.; Butter £1379 .....</i>	£4340	-
" 28.	Write off 10% Depreciation of Fittings (82)		
" 28.	Credit for Int. on Cap.: C. Maxey (71) ...	162 10	-
" 28.	Do. do. W. Bell .....	81 5	-
" 28.	Debit for Int. on Drawings: C. Maxey (78) ...	1 6 5	
" 28.	Do. do. W. Bell .....	- 10 11	

**Answer.**—*Trial Balance: totals £21839 12 4; balances £5525 15 -*  
*Gross Profit on Bacon £250; Cheese £281. Loss on Butter £37 10s. Net Profit £119 2 4. Bal. C.M. Cap. A/c., £3440 11 9. W.B. Cap. A/c., £1714 8 3. Total of B/S. £5555. Cash balance £0 10s., Bank balance £370.*

### Exercise 43. (W.R.C.C. Inter., 1900.) Tabular.

Record the following transactions of Murray & Co., by means of Journal, two Day Books, C.B., and Ledger. The receipts and payments (except P.C. Payments) are through the Bank. Journalise bill transactions. Show the gross profits of A. & B. Departments separately. Each item of sale or purchase is marked A. or B., representing the two Depts. Divide net profit in proportion to each Partner's Cap. Show P/L. A/c. and B/S. 31st March, 1900.

*Liabilities:* City Bank, Ltd., £1469 17 3; John Murray, Loan, £200; Sam Matthews, £164 11 3; two B/P.:—Jones Bros., due Feb. 3rd, £120; Proctor & Co., due Mar. 3rd, £180. *Assets:* Bryde & Son, £136 15; two B/R.: Monteith Bros., due Jan. 4th, £55 17 6; Hy. Speight, due Feb. 3rd, £69 10; Fixtures & Furniture, £137 14; P.C. 14/11; Stock A. Dept., £1470 9; B. Dept., £1859 3 1. *Capital:*—Robert Murray, £957 9; Fredk. Wade, £638 6.

Jan. 3.	Paid to Bank Monteith's Bill (146) .....	£55 17 6
" 5.	Bryde & Son accept 3 mos. Bill, £100, and pay Cash £36; and Dis. 15/- (171) ... ..	36 15 -
" 6.	Sold Goods (A) to Sam Matthews .....	43 19 2
" 8.	Cheque drawn for P.C. (76) .....	3 - -
" 10.	Sold Goods (B) to Harold Langton, £76 14 11 and (A) £143 19 6 .....	220 14 5
" 11.	Bot. of Jones Bros., Goods (A) .....	49 3 9
" 12.	Bot. of Mathers & Co., Goods (B) .....	54 1 1
" 13.	Paid Fire Insurance .....	3 16 -
" 16.	Sold Goods (B) to Monteith Bros. and recd. 3 mos. Bill (146, 171) ... ..	98 1 11
" 31.	Pd. Salaries £24 10s. and P.C. Payments 17/6	
Feb. 1.	Speight's Bill handed to Bank (145) .....	69 10 -
" 3.	Bot. Goods (A) of Sam Matthews .....	37 10 11
" 3.	Retired Bill due this day (146) .....	120 - -
" 3.	Sold Goods (A) to Harry Speight .....	24 19 6
" 5.	Sold Goods (B) to Bryde & Son .....	76 10 2
" 6.	Bank notify that Speight's Bill is dis-honoured with 3/- expenses (166) .....	69 13 -
" 19.	Pd. Mathers & Co. £53 10s.; dis. 11/1 .....	54 1 1
" 20.	Bot. Goods (B) of Jones Bros. .....	86 1 11

Feb. 22.	Sold Goods (A) to Monteith Bros., £193 2 11 and recd. Bill (171) ...	£86 10 9
„ 24.	Bot. Goods (B) of Walker & Sons .....	49 17 3
„ 28.	Paid Salaries £19 5s., and P.C. Payments...	.15 4
„ 28.	Paid Rates .....	12 5 6
Mar. 3.	Retired Bill due this day (146) .....	180 - -
„ 5.	Bot. Goods (A) of Sam Matthews .....	56 9 9
„ 14.	Accepted Jones Bros. Bill, 3 mos. £135, dis. 5/8 (172) ...	135 5 8
„ 20.	Recd. first and final Div. on Speight's Debt, 10/- in the £ (74, 95a) ...	47 6 3
„ 21.	Bot. Goods (A) of Jones Bros. ....	24 8 1
„ 22.	Sold Goods (B) to Bryde & Son .....	201 9 6
„ 24.	Gave S. Matthews Bryde & Son's Accept- ance due April 8th (146) ...	100 - -
„ 26.	Pd. Walker & Sons, £47 10s.; dis. £2 7 3 ...	49 17 3
„ 31.	Pd. Salaries £21 15s.; P.C. Payments 14/5	
„ 31.	Pd. John Murray 3 mos. int. £2 10; Pd. Rent	25 - -
„ 31.	Bank charge int. £21 15 9; Comm. £1 (92)	22 15 9
„ 31.	Depreciation of Fixtures (£2) .....	3 14 -
	<i>Stock in hand (A) £1376 3 11 (B) £1703 14 8.</i>	

Answer.—Trial Balance : totals £6337 17 ; balances £3938 18 7.

*Gross Profit on A. Deft. £141 3 6; on B. Deft. £107 7 10;  
Net Profit £68 15 7. Bal. of R.M. Cap. A/c. £998 14 4, F. W.  
Cap. A/c. £663 16 3, Total of B/s. £1005 5 2. Bank balance  
£1866 13 9.*

191. MORTGAGES, which are either legal or equitable, are pledges of real or leasehold property given as securities for money advanced. A legal mortgage is one where the borrower, known as the *mortgagor*, executes a deed charging his property in favour of the lender, who thus becomes the *mortgagee*. Such a deed contains a proviso for redemption, entitling the *mortgagor* to a reconveyance of his property on repayment of principal together with interest and costs to the *mortgagee*. An equitable mortgage is one of any other kind, even a mere deposit of title deeds by a debtor with his creditor, without verbal communication, is deemed evidence of a contract for a mortgage of the estate referred to in such deeds. The stamp duty on mortgages is 2/6 per £100.

Perhaps during the course of your business career you may wish to raise a sum of money. You possess land and buildings which you do not care to sell; therefore you offer a mortgage upon them, say to Smith, for £2000, which sum you borrow at 6%. To obtain such

an amount the property should be worth not less than £3000 (the £1000 difference being the "margin") in order to afford a good security to Smith, the *mortgagee*. As *mortgagor*, you would sign the mortgage (which would be prepared by a *Solicitor*) and hand over the title deeds of the property to Smith. This security might be redeemed at any time on giving due notice to the *mortgagee*, or on the latter calling in the money. In case of default in payment of either principal or interest by you, the *mortgagee* could sell the estate and repay himself the amount owing. On obtaining such a loan you would open and Cr. John Smith, Mortgage A/c, debiting either Cash or Bank. On repayment of the whole or any portion of the *principal* you would debit the Mortgage A/c. All payments of *interest*, being losses, would need debiting to the Interest A/e., and *not* to the Mortgage A/c. The amount of the mortgage must be shown in the B/S. among the Liabilities, and must *not* be deducted from the value of the premises on the Assets side. *Foreclosure* is the forfeiture by a *mortgagor* of his right to redeem the security, known in law as the *Equity of Redemption*; (the difference between the amount owing by the *mortgagor* and the total value of his security) by reason of his default in payment of the principal or interest of the mortgage debt within a reasonable time.

**192. OVERDRAFT** is the term applied to the sum of money owing by a customer to his banker on *current account*, as distinguished from a specific *loan*. It is part of the business of a banker to advance money to his customers by allowing them to overdraw their A/es. Interest is, of course, charged from day to day, for the amount overdrawn. Before allowing an a/c. to be overdrawn, bankers generally insist on some security being given, such as a Bond by some responsible person; the deposit of title deeds; stock and share certificates, assurance policies, etc. The deposit of such securities is usually accompanied by a written memorandum of agreement called an "*equitable mortgage*," setting forth the conditions of the loan, and stating that the deposit of certain valuable documents are as a

guarantee. Occasionally a legal mortgage of land and buildings is given as security. In the case of a *further* security being given for a loan or overdrawn a/c., besides the debtor's promise, bond, or mortgage, the latter would be called the **principal security**; while the extra or additional guarantee would be termed a **collateral security**, which is a deed charging further property, besides that already mortgaged, for the better safety of the banker. In commencing an exercise where an **overdraft** had been obtained from the Bank, the amount thereof must be entered on the *Cr.* side of the Cash Book. The overdraft would be shown in the **B/S.** among the Liabilities.

**193. CONTRACTS.** A contract is an agreement entered into between competent persons with a lawful consideration or cause whereby each person binds himself to do, or abstain from doing, certain acts. An undertaking to do certain work or supply certain articles for a specified consideration. Just as you open certain a/cs. for consignments, for the purpose of ascertaining the result of a special branch of business, so you must open a special a/c. whenever you enter into an agreement to do certain work at a stipulated figure, in order that you may know the result of such an undertaking. You will open an **impersonal a/c.** headed **Contract A/c.** and debit it with the cost of material, cartage, use of plant, workmen's wages, incidental expenses, &c., and credit it with any instalments received during the progress of the work; and on completion credit it with the balance of the contract price (if any). When plant, &c., which has been used upon a contract is sold at a depreciation, the *difference* between its valuation on the contract and the price realised, must be debited to the Contract A/c. affected. The *difference* of the Contract a/c. when complete, being a gain or loss must be carried to the Trading or P. & L. A/c. Should the contract be *incomplete*, the *difference* will be an *asset*, and must therefore appear in the **B/S.** If a balance remains owing on the *completion* of a contract it must be transferred through the journal to the **personal a/c.** of the debtor with whom you have contracted.

Dr.

Contract No. 17.

Cr.

1921		£	s.	d.	1921		£	s.	d.
Feb. 1	To Balance b/d .....	449	19	7	Feb. 4	By Cash on A/c.....	754	-	-
" 2	" Wages.....	75	16	-	" 25	" " (Final).....	1000	-	-
" 4	" Insurance .....	4	10	-					
" 9	" Wages.....	86	4	-					
" 14	" Materials .....	482	-	-					
" 16	" Wages.....	81	6	-					
" 20	" Materials .....	124	-	-					
" 23	" Wages.....	74	15	3					
" 23	" Transfer to P. & L. A/c.	475	9	2					
		£	1754	-			£	1754	-

Dr.

Contract No. 19.

Cr.

1921		£	s.	d.	1921		£	s.	d.	
Feb. 1	To Balance b/d .....	688	12	-	Feb. 6	By Cash on A/c.....	850	-	-	
" 2	" Wages.....	51	10	6	" 28	" Balance c/d .....	1829	2	4	
" 5	" Materials .....	241	7	6						
" 9	" Wages .....	82	17	-						
" 14	" Materials .....	216	-	-						
" 16	" Wages.....	82	5	6						
" 20	" Materials .....	314	5	6						
" 23	" Wages.....	52	4	-						
		£	1670	9	4		£	1679	2	4
Mar. 1	To Balance b/d .....	1829	2	4						

194. While the above method of recording transactions is quite correct, and shows all the facts in a concise form, as well as in such a manner as would be acceptable at a public examination; still in practical work, the cash instalments would *not* be passed through the Contract A/c. at all, but a personal a/c. would be opened for the same. On *completion* of the Contract the *total value* of the contract would, by a journal entry, be debited to the debtor and credited to the Contract A/c. The following examples illustrate this method.

Dr.

Contract No. 125 (Ex. 50.)

Cr.

1894		£	s.	d.	1894		£	
Jan. 1	To Balance b/d .....	1916	10	4	Jan 28	By Mercia Tank Proprietor's A/c.	3100	
" 9	" Materials .....	192	7	6				
" 18	" Wages.....	107	5	-				
" 27	" Wages.....	25	11	-				
" 31	" Inspector's Fees	31	10	-				
" "	" Transfer to P. & L. A/c.	1490	16	2				
		£	3100	-			£	3100

Dr.                  Mercia Tank Proprietors. (Ex. 50.)                  Cr.

1894 Jan. 28	To Contract No. 125 ...	£ 8100	1894 Jan. 6	By Cash .....	£ 1000	
		£ 8100	" 28	" Cash .....	1650	
			" 31	" Balance c/d .....	450	
1894 Feb. 1	To Balance b/d.....	£ 450				£ 3100

195. **SINGLE ENTRY** is the term used to describe all attempts at Book-keeping which fall short of that perfect and universal system known as **Double Entry**. Notwithstanding the advance of education and the adoption of improved systems in the mercantile world, the majority of the proprietors of the smaller class of businesses still know nothing of the practice of Double Entry, relying entirely for their financial information as to the conduct of their businesses on the imperfect records produced by what is called " Single Entry."

Some authors and teachers suffer from the delusion that it is necessary to teach Single Entry before Double Entry, whereas it is both educationally and commercially wrong to teach it at all. Single Entry should only be referred to by way of warning, when dealing with the earlier stage of the subject, as it is liable to confuse the mind of the student. It is only when the principle of Double Entry has been thoroughly mastered that the imperfections of Single Entry, and its conversion to the perfect system of Double Entry, may be satisfactorily dealt with.

196. Single Entry, as its name indicates, ignores the double effect of the transaction, and therefore does not usually make a double record, being content merely to keep Personal A/cs. with the debtors and creditors of the concern, and absolutely failing (except in the case of Cash) to keep any Impersonal A/cs. such as Capital, Goods, Buildings, Fixtures & Fittings, Machinery, Bills of Exchange, Goodwill, Patents, Copyright, Expenses, Wages, Repairs, Rent, Rates, Depreciation, Bad Debts, etc. The imperfection of this record renders it impossible either to check or test the arithmetical

accuracy of the books, because no Trial Balance can be obtained, or to prepare a Trading and Profit & Loss A/c. showing how the profit has been earned or the loss sustained.

197. There are those who are under the impression that Double Entry means double work, whereas the name of this system does not arise from the *quantity* of the work involved, but from the necessity to perfectly record every transaction by two entries, owing to the fact that each transaction involves two parties in the making of it, and therefore has a double effect. Many business men adopting Single Entry keep at least four books: (1) Cash Book; (2) Purchases Day Book; (3) Sales Day Book; (4) Ledger. The transactions entered in these books are posted to the a/cs. of their debtors and creditors only, no totals of Purchases or Sales ever being posted to their respective a/cs. Neither are the expenses nor the discounts posted from the Cash Book, and no Capital A/e. is kept. It will be seen that in such cases very little work is needed, in the way of posting, to obtain the advantages of Double Entry, which not only provides an accurate statement on a given date, but, through the medium of the Profit & Loss A/e., shows how the profits have been earned during a given period.

198. In Single Entry the only method by which it is possible to ascertain what profit has been made is to compare the total amount of the Proprietor's Capital at a given date, with the amount at a subsequent date, any excess of Capital representing a profit and any decrease representing a loss during the period. To this end it is usual to prepare what is known as a Statement of Affairs, which is merely a *list* of Assets and Liabilities, on a given date, and is similar to an ordinary Balance Sheet, the principal *difference* between them being that whereas a Balance Sheet is constructed from a set of books kept by Double Entry and therefore provable, a Statement of Affairs is compiled from a set of imperfect Books, and such other data, as may be available, the arithmetical accuracy of which cannot be proved. For example, the Statement of Affairs of John Smith on the 1st January, 1914, was as follows :—

Liabilities.	Assets.
Sundry Creditors .....	£3500
CAPITAL .....	5500
	£9000
	£9000

On 31st December, 1914, Smith finds his Liabilities to Creditors to be £3750. His Assets were :—Freehold Premises £2000, Plant & Machinery £1200, Stock-in-Trade £2600, Sundry Debtors £3500, Cash £600. His drawings during 1914 amounted to £500, and the sum of £200 realised by the sale of a cottage was paid into the business. Prepare Statement of Affairs, also show what profit was made, and compile a Capital A/c.

#### Statement of Affairs of John Smith on 31st December, 1914.

Liabilities.	Assets.
Sundry Creditors .....	£3750
CAPITAL .....	6150
	£9900
	£9900

Capital of John Smith on 31st December, 1914 .....	£6150
Add Drawings for the year .....	500
	6650
Less additional Capital paid into the business ...	200
	6450
Deduct Capital as on 1st January, 1914 .....	5500
	5950

Profit of John Smith's business for the year 1914 .....

Dr.	Capital A/c. of JOHN SMITH.	Cr.
1914		
Dec 31	To Drawings for year .....	£
" 31	" Balance of Capital, being excess of Assets over Liabilities ..	500
		6150
		£6650
		1915
		Jan 1
		By Excess of Assets over Liabilities ..
		" Proceeds of Sale of Cottage..
		" Profit for year..
		5500
		200
		950
		£6650
		By Balance b/d. ..
		6150

Smith is not only ignorant as to how the profit of £950 has been earned, but he is also without information as to his turnover, or its relation to the various expenses incurred. Owing to the absence of any check on the accuracy of the figures, such as is afforded in Double Entry by the Trial Balance, numerous errors may exist in the above Statement of Affairs, for example :—(1) Sundry Creditors undercast by £200; (2) Creditors for £250 not posted; (3) A portion of the Freehold Land sold during the year for £300; (4) Sundry Debtors overeast by £100; (5) An unpresented cheque payable to a creditor, not deducted from Cash at Bank £150. These five errors would turn an alleged Profit of £950 into a Loss of £50 for the year.

**199.** To convert a set of books from Single Entry to Double Entry at a given date merely necessitates the preparation of a Statement of Affairs, similar to that of John Smith, and the posting of the various Assets and Liabilities to their respective a/cs. in the Ledger. All subsequent transactions would then be passed through the books of Original Entry and posted in accordance with the principle of Double Entry.

**200.** The Conversion of a set of books from Single Entry to Double Entry for a given period, such as those of John Smith, for the year 1914, if proper subsidiary books had been kept, would involve (1) the journalising and posting of the Opening Entries from the Statement of Affairs on the 1st January, 1914, (2) the totalling of the subsidiary books and the posting of such totals to their Impersonal A/cs.; (3) the posting and analysing of all the unposted items from the Cash Book, particularly Drawings, Expenses, and Discount; (4) the preparation of a Trial Balance; (5) the compilation of Trading, Profit & Loss, and Capital A/cs., and B/S.

**201.** In practice, however, it will generally be found that books kept by Single entry are in a state of

confusion, and that if subsidiary books have been kept they are of a very imperfect character. It then becomes necessary to analyse all the transactions in the various books for the period under review. The time and expense involved in such a laborious process is altogether out of proportion to the value of the information obtained so far as private purposes are concerned. Such an analysis would rarely be made except by order of the Court, for the special purpose of satisfying some legal requirements. The preparation of the analysis would proceed on the following lines :—(1) The compilation of a Statement of Affairs at the beginning of the period, say, 1st January, 1914; (2) Analysis of Sales Ledger, *debtor side*—(a) Opening balances, (b) Sales, (c) Other debits, such as dishonoured bills, interest, transfers, cash paid to customers, etc., (d) Total. *Credit side*—(a)—Cash received from customers, (b) Discount allowed, (c) Returns Inwards and Allowances, (d) Bills Receivable, (e) Other credits, such as bad debts, transfers, purchases, etc., (f) Closing balances, (g) Total; (3) Analysis of Purchases Ledger, *Debtor side*—(a)—Cash paid to creditors, (b) Discount received, (c) Returns Outwards and Allowances, (d) Bills Payable, (e) Other debits, (f) Closing balances. (g) Total. *Credit side*—(a) Opening balances, (b) Purchases, (c) Other credits, (d) Total; (4) When a Cash Book has been kept the figures should be reconciled with the Bank Pass Book, and the vouchers examined. If no Cash Book has been kept a total Cash A/c. must be prepared from the Bank Pass Book, and Wages and Petty Cash Books, and the analyses of the Ledger. Expenses and Drawings would, of course, be ascertained from the Cash Book, and charged to their respective a/cs.; (5) The totals or results of the analyses would all be posted to their respective a/cs. and a Trial Balance prepared; (6) Adjustments for Bad Debts, Depreciation, Expenses accrued, Payments in advance, Interest on Capital and Loans, should then be made; (7) A Final Trial Balance, Trading and Profit & Loss A/cs. and Balance Sheet can then be prepared.

## Ruling for Analysis of Sales Ledger. Debit Side.

Led. Fol.	Opening Balances.			Sales.			Special Items.			Total		

## Credit Side.

Led. Fol.	Cash.	Discount.	Returns Inwards.	Bills Receiv- able.	Special Items.	Closing Balances	Total.

## Ruling for Analysis of Purchases Ledger. Debit Side.

Led. Fol.	Cash.	Discount	Returns Outwards	Bills Payable	Special Items.	Closing Balances	Total.

## Credit Side.

Led. Fol.	Opening Balances	Purchases	Special Items.	Total.

The LANCASHIRE & CHESHIRE UNION of INSTITUTES hold their examination every March, the entrance fee being 2/6 for external students. A Syllabus may be obtained (post free 11d.) from the Secretary, 33 Blackfriars Street, Manchester. The results are generally announced about the end of June. The marks on the Junior Examination Paper are now apportioned as follows: theory 15, practical a/cs.,—part 2, 60; part 3, 23.

Lancashire and Cheshire Union. (*Junior, 1907*).

Part I. 1. What do you understand by :—(a) Capital, (b) Voucher, (c) Bringing down a balance 2. Mention two or three ways in which a cheque can be crossed. 3. What is a Bank Pass

Book? Explain its use to a business man. 4. Rule the form of a Petty Cash Book, and enter an amount of £12 received by the petty cashier on the 1st Mar., 1907, and the details of four payments made by him for the week ended 8th Mar. Bring down the balance. 5. On 1st Jan., 1907, John Smith had Cash £5 10s., Cash at Bank £60 10s., Goods £125, and Wm. Alton owed him £7. He owed Arthur Roberts £27 10s. Journalise (only) the above.

**Part II.** 6. On 1st March, 1907, Chas. Henry Smithson commenced business as a Grocer with £1000 Capital, of which £950 was paid into his Banking A/c., and £50 retained as Cash in hand for business purposes. Enter in the proper books, post to Ledger, and take out Trial Balance.

Mar. 1. Purchased Goods at J. Robinson & Son's auction mait, and paid cheque .....	£731	5
Bought Office Furniture & Fittings for Cash... .....	38	-
,, 9. Sold to Mrs. B. Vero, Goods .....	7	5
,, 13. Purchased from Lipton's, Ltd., Tea .....	28	10
,, 15. Purchased from J. G. Cooper, Sugar .....	13	5
,, 16. Paid Lipton's, Ltd., Cheque in full settlement .....	27	-
,, 18. Goods bought at Robinson's auction m't for cash .....	10	-
,, 19. Sold to Mrs. A. Harker, Goods .....	3	3
,, 25. Recd. from Mrs. B. Vero, Cash £7, allowed Dis. .....	-	5
,, 29. Cash Sales for month .....	132	-
Paid Shop Assistants wages for month (Cash) .....	5	6
Paid Rent for month (Cheque) .....	5	-
Paid Trade Expenses for month (Cash) .....	9	10
Paid into Bank .....	102	5

**Part III.** 7. Prepare P. & L. A/c. and Balance Sheet on 31st March, 1907. *Value of Stock, £659 3s.*

*Answer.—Gross Profit, £18 11s., Net Profit, Nil; Bal. of Cap. £1000. Total of B.S. £1013 5s. Cash Balance, £23 19s., Bank Balance, £289.*

#### Lancashire & Cheshire Union. (Junior, 1908).

**Part I.** 1. Explain the meaning of the following :—(a) Personal A/c., (b) Impersonal A/c., (c) Crossed Cheque, and give an example of each. 2. What is the object of a Goods A/c., and how is it balanced? 3. Explain the difference between Cash discount and Trade discount. 4. On 1st April, 1908, James W. Barlow had Cash in hand £17 10s. Goods on hand, £50 10s., and W. Anson and Chas. Harper owed £20 10s. and £17 respectively; Barlow had no liabilities, excepting Lloyd's Bank, Ltd., to whom he owed £17 10s. Journalise (only) the above. 5. Make out Sam Jay's A/c. in your Ledger in respect of the following dealings during March, 1908:—Mar. 2. Jay buys Goods from you £20; Mar. 8. You receive Cash from Jay on A/c. £15; Mar. 10. You sell Goods to Jay £16; Mar. 31. You buy Goods from Jay £2.

**Part II.** 6. On 1st March, 1907, Wm. Slater commenced business with a balance at his bankers of £1500, and Cash in office £225. Enter in the proper books, post to Ledger, and take out T.B.

Mar. 1.	Purchased goods for Cash .....	£175
,, 2.	Paid for Office Furniture & Fittings, Cash .....	10
,, 5.	Paid into Bank .....	25
,, 6.	Sold W. Anson, Goods .....	142
,, 9.	Received from W. Anson on A/c. ....	100
,, 12.	Sold J. Wormald, Goods .....	35
,, 15.	Received from J. Wormald £32; allowed dis. £3...	35
,, 16.	Bought of Sims & Co., Goods .....	80
,, 19.	Paid Cheque to Sims & Co. in full settlement .....	76
,, 19.	Purchased from Emile Robarts, Goods .....	50
,, 31.	Cash Sales for month .....	20
	Paid Wages by Cash .....	15
	Paid Rent for month by Cheque .....	10
	Paid into Bank .....	100

**Part III.** 7. Prepare P. & L. A/c. and Balance Sheet on 31st March, 1907. *Value of Stock, £128.*

*Answer.—Gross Profit, £20; Net Loss, £4; Balance of Cap. £1721; Total of B/S., £1771. Cash Bal. £42, Bank Bal. £1549.*

#### Lancashire & Cheshire Union. (*Junior, 1909*).

**Part I.** 1. What is the use of the Journal? Give two examples illustrating the class of items which can be passed through the Journal. 2. What is meant by "Consignment A/c.?" Albert Jones sends to Jamaica, on consignment a/c., goods of the value of £600. He also pays for freight and insurance charges £22. What books would these entries be passed through and how? 3. What do you understand by a "Returns Book?" Make the rulings of such a book for a company who have a number of returns, and whose business is divided into the three following departments:—Woollens, cottons, silks. 4. William Robinson owes you for goods sold to him on 3rd July, 1908, £275 16s. On 6th July, 1908, he sends a bill for £125 due on 1st Oct., 1908, and also cash on a/c. of the balance, £62 17 6. On the 1st Oct., 1908, he fails to meet his bill, and you pay for noting the dishonoured bill 1/6. On 31st Dec., 1908, you receive from his Trustee in Bankruptcy a first and final dividend of 6/8 in the £. Show William Robinson's Ledger A/c. in your books. 5. What is meant by:—(a) Gross Profit, (b) Net Profit? A man's turnover for the year ended 31st Oct., 1908, is £12500, his Gross Profit is £2500, his Net Profit is £750. What is the rate per cent on the turnover for Gross Profit and also for Net Profit? 6. You supply Mr. Lloyd Asquith with goods of the value of £550, and he gives you in payment a B/E. due on 1st Jan., 1909. On 1st Nov., 1908, you discount the bill at the rate of 5% per ann. How much cash will you receive, and give the entry that you will make in your cash book on this date.

**Part II.** 7. On 1st Feb., 1909, Henry Wood commenced business with the following Assets:—Cash in hand £50 1 6; Cash at Bank £864 7 6; Stock-in-trade £560; William Jones £162 1 3; Jas. Slater £124 2 6. His Liabilities are:—John Jackson £400 2 9; A. Wilson £103 15 -; Webster & Co. £156 15 -. Enter in the proper books, post to Ledger, and take out Trial Balance.

Feb. 1. Sold Goods to Wm. Jones .....	£80 10
,, 2. Gave Bill to A. Wilson at 3 mos. in settlement...	101 -
,, 3. Paid to John Jackson on A/c. by Cheque .....	100 -
,, 4. Drew from Bank for Petty Cash .....	10 -
,, 5. Cash Sales .....	125
,, 6. Paid into Bank .....	150 -
,, 9. Bought of Webster & Co., Goods .....	250 -
,, 11. Recd. from Wm. Jones, Bill at 4 mos. in settlement	236 -
,, 12. Bought Office Furniture and Fittings by Cheque	50 -
,, 13. H. Wood withdraws from Bank for private purposes	180 -
,, 13. Pd. out of Petty Cash, Stamps, and Sundry Exs.	3 -
,, 15. Sold Goods to Jas. Slater .....	200 -
,, 17. J. Slater returns goods, being inferior to sample	20 -
,, 19. Paid Webster & Co. Cheque £300, Dis. £7 10 ...	307 10
,, 23. Paid John Jackson on A/c. Cheque £100. Dis. £5 10 -	-
,, 28. Received Rent from sub-tenant .....	6 -
,, 28. Drew Cheque for £60, and paid Wages .....	57 -
,, 28. Rent due to Landlord .....	36 -
Credit Capital with Interest .....	6 10
Depreciate Office Furniture .....	4 -

**Part III.** 8. Close the a/cs., bring down balances, prepare P & L. A/c. and B/S. on 28th Feb., 1909. Stock £484 10s.

**Answer.**—*Gross Profit, £60; Net Loss, £31 16 3; Bal. of Cap. £894 13 9; Total of B/S. £1326 1 6. Cash Balance, £34 1 6, Bank Balance, £214 7 6.*

#### Lancashire & Cheshire Union. (*Junior, 1910*).

**Part I.** 1. What do you understand by an "Inward Invoice?" Into what book would it be entered and to which side of a personal a/c. in the ledger would the amount be posted? How would it be dealt with for easy reference? 2. What is the difference between "bankers' discount" and "true discount?" You discount with your banker a B/E. at three months for £200, the bank rate being 4%. What amount would your banker charge for discounting such bill? 3. Who are the parties to a B/E? Make out a B/E. showing the amount of stamp duty, drawn by K. Hindley on J. Thompson for £312 9s. 6d., dated 5th March, 1909, at three months' date. Show also the acceptance and endorsement of such bill.

4. On the 1st Jan., 1910, John Mason supplies you with goods value £200. His terms are 5% dis. if you pay cash on the 31st Jan., or net if you pay by a six months' bill dated from the

1st Jan. Which method would you adopt in paying Mason's a/c., assuming that on the 1st Jan., 1910, you had £400 in the bank on which interest was being earned at 3% per ann.? Give reasons for your answer. 8. Define the following terms :—(a) Capital expenditure. (b) Revenue A/c. (c) Depreciation. (d) Mortgage. 6. In taking out the balances of your books you find that your book-keeper has made the following errors :—£25 paid for office furniture has been debited to "Trade Expenses A/c."; Invoice for £23 for goods purchased has not been passed through books, although the goods are included in the stocktaking. How would you rectify these errors?

**Part II.** 7. On the 1st Dec., 1909, the balances in Joseph Penn's books stood as follows :—Cash in hand, £20 18 3d.; Cash at Bank, £123 4s. 2d.; Stock-in-trade, £517 8s.; Fixtures & Fittings, £82 3s. There is owing to him by L. Max, £35; Williams & Son, £26 10s. 7d.; Kay & Co., £5 9s. He owes to H. Simpson, £408 10s.; H. Taylor, £302 3s. Enter in the proper books, post to Ledger, and take out Trial Balance.

1. Borrowed from W. Sykes on loan .....	£100	-
2. Bought goods from H. Simpson for cash .....	23 12	8
And for credit .....	55	6 2
4. Paid into Bank .....	90	-
5. Recd. B/E. at 6 mos. in payment of L. Max's a/c. ....	35	-
6. Sold to Williams & Son, Goods .....	87 10	-
Sold Goods for Cash .....	12	-
8. Pd. H. Simpson on a/c. by cheque, £200; Dis....	10	-
9. Received from Williams & Son, cheque on a/c., which was paid into bank same day, £50; dis.	2 10	-
10. Received Credit Note from H. Taylor for goods returned .....	38	2 8
11. Sold Goods to H. Taylor .....	100	1 6
12. Drew Cheque for Petty Cash .....	10	-
13. Bought stamps out of Petty Cash .....	3 10	-
15. Bought of William Smith, Goods .....	93	1 6
18. Repaid W. Sykes by cheq., being £50 part repayment of loan, and £1 int. to 31st Dec. ..	51	-
20. Recd. from Kay & Co. in settlement of their a/c. ....	5	2
22. Recd. notice from Official Receiver that L. Max has been made bankrupt and has no assets.		
23. Paid Salaries out of Cash .....	8	-
28. Paid Carriage out of Petty Cash .....	- 18	6
31. Railway a/cs. due but not paid .....	5	8
Joseph Penn withdraws for private purposes ...	15	-
Credit Capital with Interest .....	2	-
Depreciate Fixtures & Fittings .....	2	3

**Part III.** 8. Close the a/cs., bring down balances, make out P. & L. A/c. and B/S. Stock on 31st Dec., 1909, £480 2s. 10d.

**Answer.**—*Gross Profit, £28 8 8; Net Loss, £22 7 10; Bal. of Cap., £64 12 2; Total of B/S., £630 16 8. Cash Balance, £1 7 7, Bank Balance, £2 4 2.*

Lancashire & Cheshire Union. (*Junior*, 1911).

**Part I.** 1. What do you understand by:—(a) Lien, (b) Insolvent, (c) E. and O.E.? 2. Explain the meaning and effect of the words "not negotiable" when written across a cheque.

3. On 1st Jan., 1911, A. Marston, Manchester, sells the following goods to M. Archer, Leeds:—2 cwts. best sugar at £12 per ton, subject to trade dis. of 10%; 1½ cwts. butter at £5 per cwt., subject to trade dis. of 20%; 2 gross eggs at 9d. per doz., subject to trade discount of 33⅓%; 3 cwts. bacon at £6 10s. per cwt., subject to trade dis. of 25%. Terms 2½% monthly. Make invoice.

4. On 1st February, 1911, Messrs. Rhodes & Co., Stockport, drew a B/E. upon John Ellis, of Liverpool, for £325 at 4 months' date, which was duly accepted payable at the Manchester & County Bank, Liverpool; after acceptance the bill was endorsed to Albert Blackston, Preston. Draw the B/E. showing acceptance, endorsement, and stamp duty.

5. Referring to the previous question, supposing the bill at due date was returned dishonoured, and the endorsee arranges with the acceptor to accept a new B/E. dated the due date of the one dishonoured, at 4 months plus interest at 5% per ann. for the period and 2s. 6d. expenses. Make the Journal entries in the books of the acceptor. 6. What is a Trial Balance, and what are its uses?

**Part II.** 7. On the 1st Jan., 1911, I. Huntley commenced business with Assets:—Cash in hand, £32 18s. 9d.; Cash at Bank, £133 16s. 1d.; Goods on hand, £412 8s.; M. Saunders, £38 10s.; F. Hartley, £53 18s.; S. Fearnley, £86 12s. 8d.; Horses & Carts, £53. Liabilities:—A. Knowles, £219 11s. 6d.; and W. Close, £291 12s. Enter in the books, post to Ledger, and take out T.B.

1.	Bought Goods for Cash . . . . .	£25 10	-
2.	Recd. from M. Saunders, Cheque for his a/c. and allowed him 5% discount . . . . .		
4.	Sold Goods to S. Fearnley for Cash . . . . .	12 19	3
	Do. do. on Credit . . . . .	53 1	S
5.	Accepted A. Knowles' B/E. at 4 months . . . . .	219 11	6
6.	Recd. from S. Fearnley cheque, and pd. same into Bank, £82; allowed discount, £4 12s. 8d. . . . .	86 12	8
8.	Sent Credit Note to F. Hartley for goods damaged . . . . .	9 7	6
9.	Sold Goods to M. Saunders . . . . .	43 18	-
10.	Bought Goods from W. Close . . . . .	18 3	5
11.	Sent Cheque to W. Close, £142 10s.; Dis. allowed . . . . .	7 10	-
12.	Bought a new Horse, and pd. for same by cheque . . . . .	21	-
13.	Paid Wages by cash . . . . .	10 5	-
15.	Received Cheque on a/c. from M. Saunders . . . . .	20	-
18.	Paid into Bank . . . . .	35	-
20.	Returned Goods to W. Close, not up to sample . . . . .	58 10	-
22.	Paid Cash for Carriage . . . . .	7 10	6
23.	M. Saunders failed and paid a composition of 6s. 8d. in the £ into our banking a/c. . . . .		

28. L. Huntley pays his private a/cs. by cheque .....	£15	-
31. Depreciate Horses & Carts .....	2	8
Credit Capital with Interest .....	1	10
Gas and Water A/c. due ..... . . . .	9	11

Part III. 8. Close the a/cs., bring down balances, make out P. & L. A/c. and B/S. Stock on 31st Jan., £355 5s. 4d.

Answer.—*Gross Profit, £58 5 4; Net Profit, £12 - 6; Bal. of Cap., £298 10 6; Total of B/S. £628 18 11. Cash Balance £24 4, Bank Balance £80 5 5.*

### Lancashire & Cheshire Union. (Junior, 1912).

Part I. 1. Explain the meaning of the following :—(a) Days of grace. (b) Books of original entry. (c) Fixed assets. 2. Explain what is meant by the "Imprest system" of keeping Petty Cash. Give a form of ruling suitable for a firm who pays postages and telegrams, travelling expenses, and sundry expenses out of Petty Cash. 3. When closing a manufacturer's books on the 31st Dec., 1911, you are requested to provide for depreciation at 5% on Plant and Machinery standing in the books at £2500, at 7½% on Loose Tools & Utensils standing at £750, and at 5% on Office Furniture standing at £100. Show the combined Journal entry necessary to do this.

4. On 31st Dec., 1911, a merchant's Cash Book showed his balance in Bank to be £242 16s. 8d. His pass book, however, on that date showed a balance to his credit of £310 9s. 6d. On checking the details with his cash book he found that the following cheques issued by him before the 31st Dec., had not been presented :—J. Pickles, £10 8s. 6d.; T. Wallis, £52 14s. 2d.; and W. Martin, £30 2s. 4d. He also discovered that an amount of £25 12s. 2d., shown by his cash book to have been paid into the bank on the 31st Dec., had not been credited to him by the bank until 1st Jan., 1912. Draw up a Reconciliation Statement.

5. Rule a form of Sales Day Book suitable for a business with four separate departments and enter therein two specimen entries. 6. State what you consider is the order in which the Assets of a firm should appear in the B/S. Give reasons for your answer.

Part II. 7. The position of B. Salt on 1st Feb., 1912, was as follows :—Assets :—Cash in hand, £24 3s. 6d.; Cash at Bank, £312 8s. 9d.; Bill Receivable, due 10th Feb., £86 10s.; G. Thorp, £21 6s. 8d.; W. Stott, £59 5s. 6d.; Office Furniture, £62 15s.; Goods on hand, £522 7s. Liabilities :—J. Firth, £218 9s. 6d.; J. Holroyd, £371 3s. 4d. Enter in the proper books, post to Ledger, and take out Trial Balance.

1. Recd. B/E. at 2 mos. from W. Stott in settlement of his a/c. ....	£59	5	6
2. Sold Goods to E. Evans for Cash .....	81	6	-
Paid into Bank .....	100	-	-
3. Bought for Cheque, roll top desk .....	5	5	-
6. Drew and cashed cheque for Office Cash .....	20	-	-

6.	Paid Wages and Salaries in Cash .....	£18 10 -
9.	Paid Bill due 10th inst. into Bank .....	86 10 -
12.	Bought Goods from J. Holroyd .....	110 9 8
	Paid J. Firth, by cheque, which with discount settled his a/c. ....	207 11 -
14.	Sold Goods to G. Thorp .....	290 3 4
15.	Gave J. Holroyd a B/E. for .....	371 3 4
18.	Recd. from G. Thorp a cheq. which was pd. into bank same day, £295 18s. 6d.; allowed dis...	15 11 6
21.	Paid in Cash, Carriage outwards ....	3 8 6
25.	Bought Goods for cheque .....	70 8 6
	Sold Goods to W. Stott .....	62 12 8
28.	W. Stott returned part of Goods invoiced on 25th B. Salt draws a cheque for private purposes.....	20 6 8
29.	Charge depreciation of Office Furniture .....	1 5 -
	Rates and Taxes due but not paid .....	6 8 6

Part III. 8. Close the a/cs., bring down balances, make out P. & L. A/c. and B/S. Stock Valued at £339 19s. 10d.

Answer.—*Gross Profit, £50 10 -; Net Profit, £16 5 -; Bal. of Cap., £496 18 7; Total of B/S., £985 - 1. Cash Balance £3 11, Bank Balance £473 2 9.*

The LONDON CHAMBER of COMMERCE examinations are usually held about the middle of May each year, the results being announced about the end of July. The fee for the "Junior" Examination is 2/6. A copy of the Syllabus may be had, free of charge, from the Secretary, Oxford Court, Cannon Street, London, E.C. 4.

#### Exercise 44. (L.C.C., Junior, 1908.)

(Ex. No. 44 was formerly an exam. paper of the R.S.A.)

1. What is the principal book of account? 2. A. Help is in the habit of entering all his transactions into daily record books, keeping two of such books, one for each alternate day. On Tuesday he would hand to his book-keeper the book containing the record of transactions which took place on Monday, and so on. The book-keeper is required to enter these transactions into their proper subsidiary books and post the same to the Ledger. Into which subsidiary book, if any, would each of the following items be entered. Give your reasons shortly and concisely. (Instead of rewriting the particulars of each item the candidate may refer the answer to the letter preceding each item).

- (a) Started business with £1000 cash with which I opened an a/c. at Parr's Bank.
- (b) Purchased from Geo. Head, office furniture and stationery for which I gave him a cheque for £50.
- (c) Drew from the Bank for petty cash, £5.
- (d) Purchased from A. Kaye goods value £50, terms 5% at one month.
- (e) Ordered Goods from R. Gee to the value of £100, terms cash on delivery.

- (f) R. Gee delivered goods (e) which were in order, gave him cheque.
- (g) Purchased from E. Smith goods value £200, terms 5% one month, 2½% three months.
- (h) Sold B. Jones goods value £90.
- (i) Accepted E. Smith's draft £150 at 4 months from 4th Sept.
- (j) Sold to A. Green goods value £100.
- (m) Returned to E. Smith goods invoiced to me at £20, which were not up to sample.
- (n) Drew on B. Jones for £90 at 3 months.
- (o) A. Green returned to me goods which were damaged £20.
- (p) Paid Railway Company's charges £5 by cheque.
- (q) Received B. Jones' acceptance £90 (n).
- (r) Received cheque from A. Green £76, allowed him Dis. £1.
- (s) Drew cheque for personal use £5.
- (t) Handed to Bankers for collection, B. Jones' acceptance due £90.
- (v) B. Jones' acceptance £90 returned to me dishonoured.  
Noting charges 1/6 debited my a/c. by bankers.
- (w) Paid travelling expenses out of cash £2.

3. On 30th March, 1908, the balances in my books were.—

**Dr. Balances—**

A. Chair	£25
B. Glass	60
C. Paper	90
Stock, 1st Jan., 1908	1000
Purchases	3500
Rent, Rates and Taxes	75
Wages in factory	500
Salaries "	60
Horse keep and hire	50
Trade Expenses	30
Furniture & Fixtures, 1st Jan.	400
Plant & Machinery, 1st Jan.	600

**Dr. Balances continued—**

Bills Receivable	£250
Repairs and Renewals of Plant and Machinery	50
Bank Balance	500
Petty Cash in hand	10
<b>Cr. Balances—</b>	
C. Box	200
R. Green	300
Sales	4500
Bills Payable	200
A. Smith, Loan A/c	500
Capital A/c	1500

On 31st March, 1908, the following cash transactions took place:—Received from C. Paper, Cheque £85 10s., allowed him Dis. £1 10s.

B/R. £50, E. Kaye, under discount at my Bankers returned to me dishonoured. Noting charges 1/6 debited by Bankers.

Paid R. Green's a/c. £300, less 5% discount.

Discounted with Bankers, Bills Receivable £250. Bankers charged for Discount £4 10s.

Paid by Cheque, Salaries for month £30.

Drew Cheque for private a/c. £50.

Paid A. Smith Interest on loan to date £5.

Enter the Cash Book and post. Stock 31st March, 1908, £900 Charge for Depreciation 5% per ann. on Furniture and Fixtures and 10% per ann. on Plant and Machinery. Prepare T.B., Trading, P. & L. A/cs. and B/S.

Answer.—*Gross Profit, £400; Net Profit, £86; Bal. of Cap., £1536; Total of B.S., £2436.*

## Exercise 45. (L.C.C., Junior, 1909.)

(Ex. No. 45 was formerly an exam. paper of the R.S.A.)

1. State the objects of the following books and the methods of using the same, upon the basis of the double entry system:—Cash Book, Purchases Book, Returns Inwards Book, B/R. Book.

2. Some of the balances in John Jones' ledger on the 1st October, 1907, were:—Owing to: A. Fell £300, R. Lion £165; Owing by: B. Smith £171, A. Seal £300, B/P. £200; Stock on hand £855; Rent due £75; Petty Cash in hand £18; Cash at Bank £550 5 .. Open ledger, enter in proper books, post and carry down balances.

Oct. 1.	Bought of A. Fell, Cloth .....	£180	-	-
	Bought of R. Lion, Cloth .....	335	-	-
„ 4.	Sold to A. Seal, Cloth .....	220	-	-
„ 6.	Sold to B. Smith, Cloth .....	112 10	-	-
„ 8.	Paid A. Fell, by cheque .....	300	-	-
„ 10.	Accepted R. Lion's draft, £500, at 3 months			
„ 13.	Recd. from A. Seal, cheque £292 10s.; Dis...	7 10	-	-
	Paid cheque for Rent .....	75	-	-
„ 15.	Sold A. Seal, Cloth .....	118 5	-	-
„ 18.	Sold B. Smith, Cloth .....	216 10	-	-
„ 20.	Drew on B. Smith for £500 at 3 months .....			
„ 23.	Discounted B. Smith's acceptance at my Bankers, who charged Discount £4 .....			
„ 24.	Paid Bills Payable .....	200	-	-
„ 26.	Bought of R. Lion, Cloth .....	250	-	-
„ 28.	Sold to B. Smith, Cloth .....	225 10	-	-
„ 31.	Drew Cheques:—Salaries £30, Petty Cash Expenditure for month £16, Drawings £40 B. Smith returned Cloth damaged ..	25	-	-

3. On 30th June, 1908, after the first twelve months' trading, W. Boyce obtained from his books, etc., the following information:—He had stock in hand on 30th June, 1908, £2000. His purchases and wages had amounted to £15000, and his sales to £16500. He had paid or brought into a/c. Rent, Rates & Taxes £753; Salaries £400; Travelling Expenses £300; Travellers' Commission £360; Trade Expenses £482; Carriage Outwards £150. Discounts allowed by him £250; Discounts received by him £225. After allowing £15 for depreciation, the Furniture, etc., was valued at £285. Private drawings amounted to £700, Book Debts due to him £4000, Creditors (including Bills Payable) £2500. Cash at Bank and in hand £715. Prepare the T.B. (bringing into a/c. W. Boyce's cap. at commencement, which is the sum required to complete the T.B.) Also prepare Trading and P. & L. A/cs. and B/S.

Answer.—*Gross Profit, £3500; Net Profit, £1015; Bal. of Cap., £4500; Total of B/S., £7000.*

4. What is a contingent liability? Give an example.

## Exercise 46. (L.C.C. Junior, 1910.)

(Ex. No. 46 was formerly an exam. paper of the R.S.A.).

1. On 1st July, 1903, George Field, who commenced business as a merchant, borrowed, free of interest, from B. Tree £750, which he paid into the London Banking Co., from whom he received a cheque book containing 60 cheques. Pass the entries through the books, take out a T.B., prepare Trading, P. & L. A/cs., and B/S.

July 2.	Drew from Bank for Petty Cash .....	£10 -
	Purchased from A. Smith, goods .....	750 -
,, 4.	Sold to B. Tree, goods .....	375 -
,, 8.	Purchased from A. Smith, goods .....	1500 -
	A. Smith drew on G. Field at 3 mos. for .....	1125 -
,, 10.	Sold to B. Tree, goods .....	900 -
,, 11.	Drew from Bank for Petty Cash .....	22 10
,, 13.	B. Tree paid by cheque .....	525 -
,, 14.	Consigned goods to G. Tom, Paris, on own a/c. ....	750 -
,, 18.	Purchased from A. Smith, goods .....	1050 -
	Drew from Bank for Petty Cash .....	22 10
,, 21.	Sold goods for Cash, paid same into Bank .....	20 -
,, 23.	Sold Goods to B. Tree for 3 mos. bill .....	450 -
,, 24.	Repaid by cheque, the debit of an a/c. in Geo. Field's name with the City Banking Co. ....	81 15
	Returned to A. Smith soiled goods invoiced at .....	75 -
,, 25.	Drew from Bank for Petty Cash .....	22 10
	Paid A. Smith by cheque .....	750 -
,, 27.	Discounted with the London Banking Co., B/R. £450, and was charged for .....	5 10
,, 31.	Received from G. Tom, A/S. of consignment, together with draft on Abel & Co. for net proceeds, which was paid into Bank .....	825 -
	Paid A. Smith by cheque .....	750 -
	Received from B. Tree, invoice for agreed price of Office Furniture & Fixtures, which sum was placed to the credit of B. Tree's a/c. ....	75 -
	Sold B. Tree, goods .....	525 -

Summary of Petty Cash payments for month :—Salaries, £20; Trade Exs., £21 10s.; Fire Insurance paid on 8th July, £6; Personal Drawings, £25. Outstanding liabilities not yet brought into a/c. were :—Printing and Stationery, £22 10s.; Office repairs, £7 10s. Accrued liabilities were :—Gas, £2; Rent, 1 month at £300 per ann. Stock, 31st July, £400.

Answer.—*Gross Profit, £195; Net Profit, £159 15s.; Bal. of Cap., £53; Total of B/S., £1835. Petty Cash Balance, £5, Bank Balance, £905.*

2. State the errors, if any, which appear in the following T.B. made out by a merchant's clerk for the year ended 31st Dec., 1909.

Capital A/c. ..	£2000
Sundry Debtors .....	£1000
Sundry Creditors .....	800
Goods A/c. ...	1250
Trade Expenses, Rent, &c. ....	500
Salaries & Wages .....	300
Goodwill .....	500
Bank Overdraft .....	500
Furniture & Fixtures .....	200
Drawings A/c. ...	450
Leasehold Premises, value 1st Jan., 1909	1600

3. What are the principal books of account in a merchant's office? State very briefly their uses. 4. What do you understand by "reconciliation of bank balance?" What is the procedure to effect it?

**Exercise 47. (L.C.C., Junior, 1911).**

(Ex. No. 47 was formerly an exam. paper of the R.S.A.)

1. A. Land's books on 1st Jan., 1910, contained the following balances :—Debtors: B. Grass, £180 3s.; C. Tree, £160; D. Fence, £309 17s. Creditors: E. Green, £200 10s.; F. Leaf, £105 15s. B/P.: due 15th Jan., £131 5s.; due 15th Feb., £131 5s. B/R.: due 4th Jan., £180. Stock, £1262. Petty Cash, £10. Cash at Bank, £321 15s. Furniture and Fittings, £45. Find Land's Capital on 1st Jan.
2. Open the Ledger of A. Land with the above and enter the following transactions in the proper subsidiary books; post to the Ledger, make T.B. and prepare Trading, P. & L. A/cs., and B/S. Stock, 31st Jan., £1500.
3. Sold to D. Fence, 15 cwt. Coffee @ 100/- per cwt., 100 chests Tea, 2000 lbs. @ 1/10½ per lb.
4. Handed to Bank for collection, B/R. £180, due 5th Jan.
5. B/R. duly collected and credited to a/c.
6. Drew cheque for Petty Cash, £30.
7. Pd. E. Green and F. Leaf respectively cheques in settlement of their a/cs. after deducting from each dis. at the rate of 5%.
8. Received of B. Grass, cheque £171 2s. 6d. to settle his a/c.
9. Recd. of C. Tree, cheque for the amount of his a/c. less 2½%.
10. Drew cheque for Petty Cash, £30.
11. B/P. due this day, met at Bank, £131 5s.
12. Bought of E. Green, 120 cwt. of Coffee @ 65/-.
13. Handed to Green acceptance at 3 mos. net for amount.
14. Sold to C. Tree 80 cwt. Coffee @ 92/6, 320 chests Tea, 6400 lbs. @ 1/10½.
15. Drew cheque for Petty Cash, £30.
16. D. Fence paid by cheque £300 on a/c.
17. Bought of F. Leaf, 1000 chests Tea, 20200 lbs. at 1/-.

26. Paid F. Leaf by cheque, £200, and handed him two acceptances for the balance of his a/c. in equal moieties at 2 mos. and 3 mos. respectively.
27. Drew on D. Fence at 2 mos. for the balance of his a/c.
29. Drew cheque for Petty Cash, £30.
- Received of Fence his acceptance of draft sent on 27th.
31. Sold to B. Grass, 100 cwt. Coffee @ 91/6, 200 chests Tea, 2100 lbs. at 1/8.  
C. Tree returned (not up to sample) 100 chests of Tea, part of his purchase on 19th Jan. Sent him C/N.
- Payments from Petty Cash during the month were :—  
Personal drawings, £60, Salaries, £40; Carriage and postage, £10; Petty expenses, £12.

*Answer.—Gross Profit, £515 10; Net Profit, £455 15 9; Bal. of Cap., £2295 15 9; Total of B/S., £3627 - 9. Petty Cash Balance £8, Bank Balance £386 13 9.*

3. Define the following :—Bill of Lading. Business Capital.  
4. Rule a form of Petty Cash Book suitable for a small manufacturing business.

**Exercise 48. (L.C.C., Junior, 1912).**

(Ex. No. 48 was formerly an exam. paper of the R.S.A.).

1. Enter the following transactions, for February, 1912, in the proper books, post to the Ledger, and extract a T.B. A. Samuel, Coal Merchant, being about to retire from business, arranged to sell to J. Parker the Assets as they stood on 1st Feb., upon the following terms :—(a) Goodwill £500, to be discharged by four acceptances of £125 each, dated 1st Feb., 1912, at 2, 4, 6, and 8 months respectively. (b) Stock on hand, Rolling Stock, Horses, etc., to be paid for by cheque on receipt of the valuers' certificates. (c) Fittings and Fixtures £100, to be paid for by cheque on 1st Feb., 1912. (d) The book debts to be collected by J. Parker on behalf of A. Samuel. All the book debts collected in each month to be paid to A. Samuel on the last day of the month in which they were collected, less 5% on the total amount collected during the month.

1. J. Parker paid into the London Banking Co., £3000.
1. Paid A. Samuel cheque for Furniture and Fittings, £100.
2. Sold E. Mallett & Co., 50 tons Derby Coal at 25/- per ton.
3. Drew cheque, £50 for Petty Cash.
5. Received certificate that the value of Stock of Coal on hand at 1st Feb. was £853 6s. Sent A. Samuel cheque in accordance with agreement.
6. Sold L. Bide 160 tons Kitchen Coal at 22/6 per ton, and 80 tons Welsh Steam Coal at 28/- per ton.
6. Recd. from E. Mallett & Co., cheque for debt owing on 31st Jan. last, £55.
7. Recd. certificate that the value of the Rolling Stock, Horses, etc., on 1st Feb., was £950. Sent A. Samuel cheque in accordance with agreement.

8. Shipped to A. Wolf, of Kiel, 429 tons of Bright-side Coal at 21/- per ton, on consignment.  
Paid by cheque Freight and Insurance £42 on consignment to A. Wolf.
9. Bought of Derby Mining Co., 500 tons of Coal at 12/- per ton.
10. Paid by cheque Midland Railway Co.'s a/c. £123 for carriage of coal purchased from Derby Mining Co.  
Recd. from B. Smartt, cheq for a/c. due to A. Samuel, £45.
12. Accepted Derby Mining Co.'s draft at 2 mrs., dated 9th Feb., for coal purchased on that day.
14. Sold to E. Mallett & Co., 100 tons Kitchen Coal at 23/- per ton and 50 tons Derby Coal at 26/- per ton.
17. Drew on E. Mallett & Co. at 2 mos. from this date for the amount of their a/c.
21. Bought of the Welsh Colliery Co., 1000 tons coal at 15/- per ton, terms 2½% discount in one week.  
E. Mallett & Co. returned draft forwarded to them on 17th Feb. unsigned and sent in its place their draft for a similar amount accepted by Smith & Sons, which J. Parker placed under discount at the London Banking Co. who charged £3 for discount.
22. Recd. of A. Wolf, of Kiel, A/S. of Consignment with eight draft on Montague & Co., for net proceeds, £550.  
Handed draft to London Banking Co. for collection.
26. Paid by cheque Welsh Colliery Co., the amount of their a/c.
28. Sent cheque to A. Samuel in settlement of debts collected on his behalf, less 5%.  
Paid by cheque G. W. Ry. Co.'s charge £300, for carriage of Welsh Coal.

2. What comment, if any, have you to make on the T.B. below?

Goodwill .....	£200	Capital Account .....	£600
Furniture and Fittings ..	100	G. Johnson .....	700
Horses, Vans, etc. ....	600	Royalty Account .....	50
A. Read .....	200	Bills Payable .....	750
Goods Account .....	400		
Cash .....	50		
Bank .....	450		
Bills Receivable .....	200		
	<hr/>		<hr/>
	£2300		£2300

3. Define the following terms:—Rebate, Tare, Premium. Narration. 4. Sketch the B/E. mentioned in Question 1, 21st Feb., as having been received from E. Mallett & Co., showing the signatures which appeared upon it when it was handed to the London Banking Co.

Exercise 49. (*Society of Arts, Inter., 1893.*)

A. How are the following classes of Accounts closed? :--  
Personal A/cs., Discount A/cs., Goods A/cs., P. & L. A/cs.

B. April 1st, Black borrows £150 from White and accepts his draft at 3 months for the amount. White discounts this acceptance a month later with the Notable Discount Company. Give the accounts as standing in Black's and White's Ledgers respectively.

C. On 1st January, 1893, John Andrew, hotel proprietor, commenced business with the following Dr. Balances:—Freehold Premises, £5000; Bank balance, £1418 17 6; Cash in house, £155 18 2; Furniture & Fittings, £450; Wines, spirits, ale, and minerals, £243 15 10; Tobacco and Cigars, £35 - 3; Poultry, meat, &c., £5 10 2; Groceries, £27 18 6; Sundry stores on hand, £142 8 7; Sundry outstanding visitors' a/cs. £50 7 10.

He owed:—John Smith, £172 8 8; Amos Jones, £9 18 4; Wm. Taylor, £23 5 6; Jas. Watson, £41 18 6; Sundry persons £92 17 4.

Jan. 1.	Received cash from visitors .....	£40 5 6
,, 1.	Paid into Bank .....	100 - -
,, 2.	Paid W. Taylor, cheque .....	23 5 6
,, 2.	Paid James Watson, cheque .....	38 - -
,, 4.	Bought of Walter Berry, carpets .....	62 5 -
,, 4.	Paid J. Smith, cheque £150, Dis. £3 11 8 .....	153 11 8
,, 5.	Recd. cheq. from J. Sims for amount written off last year as a bad debt ('74) .....	8 15 -
,, 6.	Bought of Fred Wilkinson, sundry stores ...	28 13 11
	Paid cash £28 5 -, dis., 8s. 11d. ....	28 13 11
,, 7.	Paid A. Jones by cheque .....	9 18 4
,, 8.	Bar and Billiard room receipts for week .....	36 14 5
,, 9.	Paid into Bank . ....	60 - -
,, 11.	Paid poor rates by cheque .....	13 5
,, 11.	Paid James Watson by cheque .....	3 18 6
,, 13	Received statement from Wilfred Simpson for carriage hire on a/c. of visitors .....	4 3 9
,, 13.	Paid W. Berry by cheque .....	62 5 -
,, 14.	Received cheque from visitor, gave him cash, and paid cheque to bankers .....	25 - -
,, 14.	Bought of A. Jones, cigars, as per invoice, subject to 2½ per cent discount .....	50 - -
,, 15.	Bought Furniture of Wm. Dunn .....	132 17 6
,, 15.	Received C.N. from him for old furniture in exchange .....	38 5 8
,, 15.	Paid cash for sundries .....	6 18 11
,, 16.	Paid cash on a/c. of washing for visitors ...	3 9 4
,, 16.	Bought of J. Smith, wine in bond .....	63 17 6
	Pd. H.M. Customs duty on same, cash (I80)	15 10 -
,, 18.	Paid A. Jones by cheque (see Jan. 14) .....	48 15 -
,, 18.	Sundry bar and billiard room receipts .....	42 10 -
,, 19.	Paid gas a/c. cash .....	9
,, 1	V. Dunn by cheque .....	
,,	V. Taylor, Poultry, &c., per his be	

Jan. 22.	Bought of J. Watson, groceries .....	£23 2 8
" 22.	Paid for Sundries in cash .....	42 17 7
" 23.	Received Statement from W. Simpson for Carriage hire on a/c. of visitors .....	5 2 3
	Paid him cheque .....	4 3 9
" 25.	Paid J. Watson cheque £22, dis. £1 2 8 .....	23 2 8
" 25.	Paid Taylor cheque £28 12 2, dis. £1 3 2 .....	29 16 4
" 26.	Sundry bar and billiard room receipts .....	45 11 3
" 28.	Bought for cash, sundries .....	15 18 6
" 29.	Bought of J. Smith, ale as per invoice .....	23 10 -
	Paid him cheque £22 5 -, dis. £1 5 .....	23 10 -
" 30.	Sundry bar and billiard room receipts .....	36 9 8
	Cash received during January from visitors' bills and paid into bank .....	339 11 7
	Credit interest on capital .....	30 -
	Wages and Salaries due this day .....	24 3 4
	Depreciation on Furniture (82) .....	4 10 -
	Sundry outstanding visitors' accounts .....	47 2 11
	Stocks :—Wines, spirits, oils, minerals, £109 13 2; Tobacco and Cigars, £53 8 9; Poultry, meat, &c., £3 7 6; Groceries, £18 15 2; Sundry Stores, £49 18 11	

Answer.—Trial Balance £7966 . 1; Net Loss £59 3 1; Bal. of Cap. A/c., £7160 5 5. Total of B/S., £7365 2 10. Cash Balance £59 . 8, Bank Balance £1421 9.

#### Exercise 50. (Society of Arts, Inter., 1894).

A. "Forty lakhs of remittances on India were offered for tender, but the only response was an application for Rs. 26000 in Bills at 1/3 with the result that the Council made no allotment." (Times, City Article, October 5th, 1893). Comment on and explain this paragraph. B. Define "Bank Rate." How is it settled? What objects are sought by its advance or reduction?

C. The following shows the state of affairs of Messrs. John and Joseph Tough, ironwork contractors, at Jan. 1st, 1894. Credit each partner with 5 per cent. interest on his capital, and carry the amount of the profit or loss in equal shares to their respective capital accounts. All payments over £5 by cheque; under that amount in coin; all receipts paid into bank same day. Liabilities :—Capital—John Tough, £13057 14 1; Jos. Tough, £15960 1 6. Creditors—Peter Jones, £923; John Smith, £1027 16 :- Hy. Brown, £450; B/P. No. 391, £1000; No. 392, £850 10 -. Instalments recd. on current contracts :—No. 124, Wessex Bridge, £960; No. 125, Mercia Tanks, £1845; No. 126, Cantia derricks £2460. Mortgage on premises, £15000. (See par. 191, also 193 and 194).

Assets :—Freehold works, £26000; Plant, machinery & rolling stock, £5280; Bankers, £2456 1 9; Office Cash, £84 7 4; B/R. No. 248, £365. Debtors :—Thos. Tiger, £1254 9 3; Edward Eagle, £1215 10. Current contracts—value of work done :—No. 124, £1530 2 9; No. 125, £3160 10 4; No. 126, £5130 12 8; No. 127, Devonia viaduct, £815 10; Materials on hand, £6241 17 6.

Jan	1.	Bought of J. Smith, 100 tons plates @ £7 ... £700	- -
"	2.	Paid him cheque .....	1200
"		Do. bill at 2 mos. (172) .....	500
"	3.	Paid rates and taxes .....	31 7 6
"	4.	Received payment, Bill No. 248 (146) .....	365
"	6.	Received instalment, contract No. 125 ... 1000	-
"	6.	Paid Sundry petty expenses .....	4 16
"	6.	Paid fire insurance .....	32 1 6
"	8.	Took contract for Anglia girders, No. 128 ... 1250	-
"	9.	Paid bill No. 392 (146) .....	850 10
"	10.	Bot. of P. Jones for Cash, 45 cwt. rivets @ 32/-	72
"		Materials supplied to date :—Con. No. 124... 248 15	-
"		No. 125 £132 7 6, No. 127, £315 9 8, No. 128 264 7 6	-
"	11.	Received of Thos. Tiger, cheque .....	400
"	12.	Contract No. 126 completed and passed and balance of contract received .....	3500
"		Partners' drawings £500 each (78) .....	1000
"	13.	Bought of Henry Brown for 2 months bill, 50 tons angles @ £7 10 (172) .....	375
"	13.	Drew chq. for wages pd. this day : Con. No. 124, £222 6 -, Con. No. 125, £107 5, Con. No. 126, £5 15 6, Con. No. 127, £128 18 6, Con. No. 128 ... ..... .... ....	52 3 4
"	16.	Laid Henry Brown, £430, Dis. £20 ...	450
"	17.	Received of Edward Eagle .....	1200
"		Allowance on settlement .....	15 10
"	18.	Received instalment on Contract No. 124 ...	500
"	21.	Ba. of Stephen Spicer, timber as per inv.	142 3 6
"	22.	Received instalment, Contract No. 128 ...	350
"	23.	Received sundry cash sales .....	18 1 6
"	24.	Partners' drawings; John Tough (78) ..	150
"	24.	Paid Peter Jones ... ..	500
"	25.	Paid bill, No. 391 due this day (146) .....	1000
"	25.	Recd. of Thos. Tiger, bill at 3 months (171)	841 3 6
"	26.	Paid to S. Spicer, £140. Dis. £2 3 6 .....	142 3 6
"	27.	Drew cheq. for wages pd. this day, Con. No. 124 £125 19 4, No. 125 £22 11, No. 127 £173 7 11, No. 128 ... ..	230 4 4
"	27.	Recd. net proceeds sale by auction of loose plant, Con. No. 126, value in books, £350	186 15
"	27.	Paid office salaries for month ..	27 10
"	27.	Received instalment Contract No. 127 .....	1000
"	28.	Con. No. 125 completed and passed. Final bal. due £2100. Instalment received .....	1650
"	29.	Paid half-year's interest on mortgage (191)	300
"	31.	Materials supplied to date :—Con. No. 124 631 15	-
"		Con. No. 127, £463 10 -, Con. No. 128 ...	159 17 6
"	31.	Paid Water Rate .. ..	10 4 6
"	31.	Paid inspector's fees, Con. No. 125 .....	31 10
"	31.	Paid off Mortgage (191) .. ..	2000
"		Depreciation of buildings (82) .. ..	54 10
"		of plant and machinery ..	24 6
"		Int. on Cap., John £54 4 -, Joseph £65 15 3.	-
		<i>Stock of Materials, £4823 16 8.</i>	

**Answer.**—*Trial Balance £45516 18 1; Profit on Cons. 123, £1490 16 2, on Cons. 126 £660 6 10; Less on Materials £270 1 1; Net Profit £1270 1 1; Bal. of Cap. A/c.; John £131018 8; Joseph £16165 7 3. Total B/S, £3392 11 11. See page 219. Cash Balance £79 11 4; Bank Balance £3782 3 10.*

**Exercise 51. (Society of Arts, Inter., 1896).**

A. Explain the following terms:—*Not Negotiable.* *Sealable by endorsement.* *Statute of Limitations.* *Salvage.* B. An agent issues about 50 cheques each day, and usually at the end of each month about 60 are current and not yet presented at the Bank. What means would you think best to ensure a correct list of these outstanding Cheques on the first day of the succeeding month?

C. The following was the statement of affairs of Arthur Archer, wine merchant, on 31st Jan., 1896 (par. 79). *Liabilities:*

Bills Payable—No. 241, £187 16, No. 242, £150 .. £337 16 ..

Overdraft at Bankers, £213 5; Concia & Co., Lisboa £24 17 6

Druitt & Duse, £396 10 .. Sundry Creditors .. .... 1405 10 9

Capital .. .... 4361 2 6

*Assets:*—Stock in bond, in cellars and with agents, 3970 15 ..

Bills Receivable—No. 104, £137, No. 105, £50 .. 187 ..

Stock on Consignment with Henry Hart, Montreal 574 10 6

Europa Club, £185 6 .. Grant & Green .. .... 72 15 ..

Sundry Debtors—Agents, £1144 9 6; Trade A/cs, .. 2240 5 9

On Feb. 1st, the business was transferred to Bruce Balfour on the following terms. The cap., together with a premium of £500 for Goodwill, to be paid on taking possession, in cash £1664 2 6, and three P/N. for £1000, £1000, and £1500 at 3, 4, and 6 mos., any of which might be retited at any time less a rebate of 6%; Balfour taking all the Assets with all profits and risks, and undertaking to discharge all Liabilities. Open and close the a/cs. for these particulars and the following transactions of Balfour. Receipts paid bank same day, and all payments, unless otherwise stated, by cheque.

Feb. 1.	Paid Cash into Bankers ( <i>Balfour's Capital</i> ) £3000	-
	Delivered to Arthur Archer, cheque .....	1664 2 6
	Delivered to A. Archer, 3 P/N. Nos. 243, 4 and 5, for £1000, £1000, and £1500 .....	3500 ..
	Drew cheque for office cash .. ....	50 ..
„ 3.	Drew Bill. No. 106, @ 3 mos. on Europa Club which they accepted (171) .....	150 ..
„ 3.	Sold Kirk & Co., wines as per invoice .....	72 10 ..
„ 4.	Received Cash, sundry trade debts collected ..	238 ..
„ 7.	Paid traveller's commission and expenses...	14 ..
	Sold Kirk & Co., 10 cases champagne .....	38 10 ..
„ 10.	Accepted Concia & Co.'s bill @ 3 mos. (172) ..	700 ..
	Paid them cheque .. ....	124 17 6
„ 12.	Recd. from Hy. Hart A/S. of consignment with sight draft net proceeds (176) .....	936 17 6
„ 15.	Paid Local Board Rates .. ....	8 1 4
	Paid law costs transfer of business .. ....	23 6 8

Feb. 18.	Received payment of bill No. 104 (146) ...	£137	-	-
" 19	Sold Lord Lingrove wines as per invoice...	185	-	-
" 21.	Recd. of Kirk & Co., cash £109, dis. £2...	111	-	-
" 25.	Shipped on consign. to H. Hart wines(174)	742	-	-
" 28.	Paid shipping charges, freight, insurance	13 12 6		
Mar. 1.	Sold Europa Club 10 cases claret at 45/- ...	22 10	-	
" 3.	Paid off bill No. 245 under rebate (169).....	1461	- 10	
" 3.	Accepted Druitt & Duse's draft @ 3 mos.	500	-	
" 3.	Pd. Book-keeper & month's wages office cash	28 9 4		
" 5.	Recd. of H. Hart, on a/c. of consign. (176)	450	-	
" 7.	Recd. of Sundry agents, cash as per C/B....	284	-	
" 9.	Bot. of Nuelli & Co., 10 pipes port for 4 months bill .....	580	-	
" 12.	Sold sundry persons wine, as per day book	421 5	-	
" 15.	Paid sundry trade creditors, as per C/B....	356 10	-	
" 17.	Recd. of Ochoa&Co. wines on consign.(178)	746 15	-	
" 18.	Paid dock charges (178) .....	5 9 6		
" 20.	Rose's bill returned dishon'red&noting(166)	50 1 6		
" 22.	Drew cheque for office cash .....	20	-	
" 24.	Sold Lord Lingrove further wines .....	81 15	-	
" 26.	Received his cheque on a/c. for .....	125	-	
" 26.	Recd. first and final dividend, 17/6 in the £ from Grant & Green (95a) .....	63 13 2		
" 28.	Sold out of bond goods consigned by Ochoa Charged Commission 5% .....	825	-	
" 31.	Remitted them 7 days draft in settlement...	41 5	-	
" 31.	Bot. of Druitt & Duse, 40 cases champagne	778 5 6		
" 31.	Paid bill No. 241 (146) .....	120	-	
" 31.	Recd. cash, sundry agents .....	187 16	-	
" 31.	from Rich. Rose, for bill & exs.	203 5	-	
" 31.	Sold Europa Club for cash, wine .....	50 1 6		
" 31.	Received cash, sundry trade a/cs. ....	39 15	-	
" 31.	Bought of Nuelli & Co., claret .....	234 7 4		
" 31.	Claimed on them for ullage (leakage) of claret, claim allowed .....	78 10	-	
" 31.	Paid them cheque, £69 11 6, dis. £3 18 6...	5	-	
" 31.	Pd. month's wages & petty exs. office cash	73 16	-	
" 31.	Paid quarter's rent, office and cellars .....	29 6 6		
	Stock-in-trade, valued at cost .....	25	-	
		2341 4 6		

Answer—Trial Balance, £10497 10 5; Profit on Wine, £100 4 6; on Consignment, No. 1, £62 7 -; Net Profit, £107 8 6; Bal. of Cap A/c. £3107 8 6. Total of B/S., £8785 19 3. Cash Balance £12 2 8, Bank Balance £1681 - 8.

#### Exercise 52. (*Society of Arts, Inter., 1897*).

A. Explain clearly the difference between Guaranteed, Preference, Ordinary, and Deferred Stocks. How would you keep the Cap. and Revenue A/c. of a Reserve Fund Investment in some of them where occasional changes by purchases and sales take place? How would you value the stocks at the close of each year? B. What are Real A/cs.? Have they any other name? How are they closed?

C. The "Clayshire Tyke" is a weekly Newspaper. The Proprietor's Balance Sheet, on Dec. 31st, 1896, showed Trade Debts owing by him £238 17 4, Subscription Orders received but not fulfilled £201 5 6, Bills Payable Nos. 18 and 19, £120 and £76 14 4 respectively, Owing to Powder & Co., £133 7 6, and to Snowball & Bell £58 9. His Trading Property consisted of Freehold Premises, Machinery and Fixed Plant £4726 10 -; Fixtures, Type and Stereos £367 16 5; Amounts owing by Sundry Agents £187 10 -, Debts due from Advertisers £71 9 5; Paper Stock £102 15 6, Ink, Wrappers and other Stock £25 7 5 6d., Cash at Bank £537 1 10, in Office £17 2 6; Stamps £6 8 -. You are desired to determine his Cap., open proper A/c., and record and post thereto the following transactions. After that you will bal. the A/cs., and draw out a T.B., P. & L. A/c., and B/S. for the period of two months ending Feb. 27th, 1897. All cash receipts paid into Bank the same day; and all payments, unless otherwise stated, made by cheque.

Jan. 2.	Paid for postage stamps	... ..	£25	-
" 8	Recd. cash, sundry agents, as per Cash Book	114 15 8		
	Discounts and returns for papers unsold	21 7 5		
" 12	Received subscriptions in advance as per Subscription Order Book	294 5 6		
" 18.	Bot. of Powder & Co., paper for 2 mos. Bill	146 10		
" 21.	Paid for stamps	.. ..	55	-
" 23	Bought of Snowball & Bell. Ink	.. ..	15 12	-
" 29	Received cash from agents	.. ..	34 7 9	
	Discount and returns allowed them	.. ..	10 10 10	
" 31.	Production a/c paid editors and contributors	49 9	-	
	.. .. paid compositors, machining, and office wages	.. ..	41	-
	.. .. paid sundry exs., office cash	9 11 7		
	Stamps used for subscribers' copies per book	73 10	-	
	Advertisement orders for month as per Adver- tising Journal --Cash recd. with adverts.	113 14 6		
	Credit accounts	.. ..	142 17	-
	Received cash, sales over counter	.. ..	131 7 4	
	Sales to agents for month per Agents' Book	135 8 6		
	Production a/c., News Agency telegrams paid as per Telegrams Book	.. ..	31 17	-
Feb. 1.	Paid Bill No. 18 due this day (146)	.. ..	120	-
	Pd. Powder & Co., £133 - 6; dis. £5 7 -	138 7 6		
	Paid sundry trade accounts owing	.. ..	59 10	-
" 2.	Received cash, waste paper sold	.. ..	17 4 4	
" 3	Recd. payment credit advertisers' a/c.	.. ..	41 15 9	
	Purchased for cheq printing office fixtures	.. ..	12 10	-
" 4.	Received cash, additional subscriptions	.. ..	116 7 6	
" 5.	Bot. of Powder & Co., paper for 3 mos. bill	231 15	-	
	Received cash for old type sold	.. ..	11 4 6	
" 6	Paid for stamps	.. ..	32	-
" 9.	Bot. of Snowball & Bell, ink rollers	.. ..	36 5 8	
" 13.	Received cash from agents	.. ..	95 10 6	
	Discounts and returns allowed them	.. ..	27 5 7	

Feb. 6.	Recd. cash, advertisers' credit a/cs .....	£75 10 -
Proprietor's Private drawings (71) .....	200 -	
„ 20. Recd. cash, waste paper sold .....	10 4 6	
„ 23. Bought of Snowball & Bell, ink .....	20 11 6	
Paid Bill No. 19 (146) .....	76 14 4	
„ 24. Received cash from agents .....	24 3 7	
Discounts and returns allowed .....	4 16 6	
„ 26. Paid Snowball & Bell, £116, dis. £4 18 2 ...	120 18 2	
„ 27. Received cash, sales over counter .....	128 4 5	
Paid gas consumed in January .....	15 3 8	
Paid for stamps .....	30 -	
„ 27. Advertisem't orders per Advertising J'rnal:		
Credit of £83 2 6, cash recd. with adverts....	152 9 0	
Production a/c, pd. editor and contributors	50 2 -	
"          pd. compositors, machining		
and office wages .....	47 15 -	
"          paid office cash, petty exs....	6 1 9	
Stamps used for subscribers' copies .....	69 7 -	
Sales to agents for month .....	140 10 6	
Production a/c, pd. News Agency telegrams	42 -	
Depreciation of building, machinery & plant	32 10 -	
fixtures, type, & stereos (82)	18 9 6	
Stock of paper on hand .....	220 10 6	
"          ink, wrappers, and sundries .....	15 3 3	
Liability for Subscriptions unfulfilled .....	284 17 6	
"          for serial adverts. not yet appeared	21 15 9	
Trial Balance £7510 18 10.		

Dr.	Subscriptions A/c. (Ex. 52.)	Cr.
1897.		
Jan. 31	To Postages .....	£ 79 10 -
Feb. 27	" Postages .....	69 7 -
" 27	" Subscriptions unfulfilled c/d....	254 17 6
" 27	" Transfer to Sales A/c.....	184 4 -
	£ 611 18 6	£ 611 18 6
		Mar. 1 By Subs. unfulfilled b/d. 284 17 6

		Sales A/c. (Ex. 52.)					Cr.			
		£	s.	d.	1897.	Jan. 31	By Cash Sales .....	£	s.	d.
1897. Feb. 27	To Transfer to <i>P. &amp; L. A/c.</i>	747	3	7		Feb. 2	" Waste Paper .....	131	7	4
						" 20	" Waste Paper .....	17	4	0
						" 27	" Cash Sales .....	128	4	5
						" 27	" Agents for S.B. ...	275	19	-
						" 27	" Subscriptions A/c.	184	4	-
		£	747	3	7			£	747	3

## TRADING & P. & L. ACCOUNTS.

226. A TRADING or MANUFACTURING A/c. partakes of the nature of a Profit & Loss A/c. in which the opening Stock and the more immediate or direct cost of production alone, and not of *distribution*, is summarised. The items to be thus debited to the Trading A/c. are brought from their respective a/cs. at the end of the period on balancing, and may consist of (1) Opening Stock. (2) Purchases of raw materials or finished goods, or materials consumed in the process of manufacture, after deduction of Returns Outwards. (3) Packing materials, canvas, boxes, bags, cases, crates, straw, paper, string, labels, &c. (4) Carriage, cartage, transport, freight and shipping charges. Some accountants charge Carriage (Inwards) on Purchases to the Trading A/c., and Carriage (Outwards) on Sales to the P. & L. A/c. (5) Coal, Gold, or other Mining or Patent Royalties or Concessions Rents; as well as the working costs of mining, developing, hauling, winning, milling, tramping, cyaniding, surface damages, &c. (6) Customs or Excise Duties. (7) Coal, coke, and other fuel, when *extensively* used in the process of manufacture; as in the production of earthenware, bricks, metal ware, &c., otherwise in the P. & L. A/c. (8) Manufacturing or productive Wages.

227. The credit side of a Trading A/c. only contains the Sales or Output, less Returns Inwards; Commissions received, and closing Stocks. In some manufacturing concerns the *net* value of "Materials consumed" is given, thus indicating that the stock has been deducted from the materials purchased; consequently the stock must *not* appear in the Trading A/c. only in the B/S. In gold mining only the gold produced must be credited to the Trading A/c.; while gold ore in stock; not having been crushed, &c., and made saleable, must *not* be shown as a profit, but merely an asset. Trade Discount is usually deducted in the Purchases or Sales Books, and the *net* amount only posted to the ledger a/cs., but where the trade discount has not been so deducted, it should appear in the Trading

Account, but Trade or General Expenses, by reason of their miscellaneous character, should be placed in the P. & L. A/c. A Trading A/c. is balanced like an ordinary Goods A/c., the stock of materials and manufactured goods being credited and the *difference*, which is either a gross profit or a gross loss, being carried down or transferred to the Profit & Loss A/c. The working or distributive expenses of the business must be debited to the Profit & Loss A/c., and any other income credited, the *difference* being a net profit or a net loss.

228. In establishments where there are departments in respect of which it is desirous to ascertain what profits they each realise, it will be necessary to keep separate Trading and P. & L. A/cs., and to apportion and debit against each department its share of the Standing Expenses or Establishment Charges, viz.:— Rent, taxes, insurance, depreciation, lighting, power, warehouse, and office salaries, cash discounts, &c. As in the case of a Trading A/c., these various items relating to the cost of distribution are, of course, only transferred from the subsidiary A/cs. to the P. & L. A/c. when balancing. The P. & L. A/c. has thus a momentary existence; it is opened only to be immediately closed. When insurance is paid in advance it is preferable to show it as a deduction on the Dr. side of the P. & L. A/c. when possible; in other cases it must be entered on the Cr. side.

229. The division of the Profit & Loss A/c. into two sections is usual in large businesses, the first section being used for the establishment charges (which may be sub-divided into mill charges and warehouse and office charges), and the gross profit brought down from the Trading A/c. The second section of the P. & L. A/c. shows on the Cr. side the balance brought down from section one and any rents or dividends received; and on the Dr. side such expenses as do not affect your trading, for instance, partners' salaries, interest on capital, income tax, &c., as well as the disposition or appropriation of the net profit. The advantage derived

from thus dividing and sub-dividing the Trading and P. & L. A/cs., is in being able to watch readily the percentage of profit, and to compare the percentage earned during one period with that earned during another.

230. The authors have prepared some printed and ruled foolscap sheets with a view to illustrating and facilitating the working of exercises, showing Trading and P. & L. A/cs. and B/S., and will forward a complete set on receipt of 1/2 Address *P O. Box A. 27, Huddersfield*. These sheets are very useful for business men when preparing their own a/cs at the periodical balancing.

Dr.	Sales A/c.	Cr.
1921 Dec 31   To Transfer to Trading 4/c   £ 96853	£	1921 Jan 31   By Sundries as per S B   £ 10306 Feb 29   Ditto   9489 Mar 31   Ditto   7823 April 30   Ditto   6994 May 31   Ditto   8463 June 30   Ditto   9705 July 31   Ditto   10104 Aug 31   Ditto   8067 Sept 30   Ditto   10033 Oct 31   Ditto   5907 Nov 30   Ditto   4400 Dec 31   Ditto   5493 <hr/> £ 96853

Dr. Trading A/c. for the year ended 31st Dec , 1921 Cr.

Dr.	£	Cr.
To Stock, 1st Jan , 1921, viz —		
Materials in process £172.5		
1 finished Pieces 16.128		
" Materials consumed	83683	By Sales £96853
" Dyes, wares consumed	36960	Less Returns 3133
" Chemicals, Soap, Size Oil, &c	2390	
" Outwork	1005	, Commission Work 93721
" Packing Materials	5266	" Stock 31st Dec ,1921 363
" Carriage and Freight	22.	Materials in process £15264
" Manufacturing Wages	942	Finished Pieces 10938
" Gross Profit carried to	19846	
Profit & Loss A/c	25390	
	£ 126288	£ 126288

## Dr. Profit &amp; Loss A/c. for the year ended 31st Dec., 1921. Cr.

To Establishment Charges (Mill)—	£	By Gross Profit from Trading A/c	£
Mill Managers Salaries	£1000		2330
Mechanics, Joiners, and Plumbers' Wages	405	, Discount on Purchases ...	727
Watchmen's and Time Keepers' Wages	12		
Coal and Motive Power	196		
Rents, Rates, Taxes, Gas & Insurance	233		
Mill Furnishings, Repairs, & renewals of Machinery	1002		
Mill Building Repairs	171		
Stables	140		
Cards	451		
Incidental Trade Expenses	264		
Depreciation, Plant & Machinery	1250		
	11115		
,, Establishment Charges, (Warehouse and Office)—			
Warehouse & Office Salaries	532		
Travellers' Salaries & Exs	1216		
Rents, Rates, Taxes, Gas & Insurance	303		
Stables	114		
Incidental Trade Expenses	220		
Commission	319		
Depreciation, Warehouse & Office Fittings	10		
	2736		
,, General Charges—			
Bank Charges	239		
Discount on Sales £1050			
Reserve for Discount 700	—		
	1759		
Bad Debts 79			
Doubtful Debts Reserve 70	—		
	149		
	2197		
BALANCE carried down	10029		
	£25.07		£25107
To Partners' Salaries	£1500	By Balance b/d ...	£10039
,, Interest on Loans and Capital	2400	,, Dividends received 300	
,, Loss on Investments	6	,, Rents received 27	
,, Income Tax	200		
,, Net Profit for the year, viz —			
John Carnegie, three fourths £4050			
Keir Hardie, one fourth 1350	—		
	£200		
	£10326		£10326

231. A BALANCE SHEET is a statement showing in summary form the various debit and credit balances standing in the books at any given date (after collecting into the Trading and Profit & Loss A/cs. all balances

relating to Revenue), the items in the Balance Sheet being so grouped and classified as to show clearly the financial position of the concern at the date of the statement. It is compiled from the Trial Balance by arranging together only such items as represent Assets (Dr. balances) and Liabilities (Cr. balances), supplemented by Reserves, Unexpired Charges, and other sundry items for which adjustment has to be made, lists of the Debtors and Creditors having first been made, and the total amounts of each being entered as *Sundry Debtors* and *Sundry Creditors*. A Balance Sheet must not only show whether the business is solvent or insolvent, and the amount of the Capital; but also of what the Capital consists. Trading Capital or Assets is of two kinds—Fixed and Floating. The term *Capital* must not be considered as referring only to the excess of assets over liabilities. Capital includes the amount of credit a person is able to obtain on B/P., open a/es., loans or mortgages. In the B/S. on page 255 the Trading Capital is £21633 7s. 4d., while the Traders' or Proprietors' Capital is only £11259 16s. 2d.

232. Fixed Capital or Assets is the property which you, as Capitalist, retain in your possession, and use in the carrying on and conduct of your business. For instance : land, buildings, plant, machinery, tools, fixtures, horses, carts, goodwill and permanent investments. While a horse used by a tradesman for ordinary business purposes would be fixed Capital, one in the hands of a Horse Dealer would become Floating or Circulating Capital or Assets, which consists of property a capitalist exchanges or deals in, buys and sells, in the ordinary way of business with the object of making profit. For example : Stock-in-Trade of every description, Money in whatever form, and book debts. Machinery in the hands of a Machine Broker, Land owned by an Estate Company, Shares held by an Investment Company, would all be Floating Assets. So far as they are available, Assets of this nature form the Working Capital of the business in which they are employed.

233. Items placed on the Assets side of the Balance Sheet may be further divided into the following four classes :—(1) Realisable, such as Cash and those Assets which may be realised either at short notice or within a reasonable time, including marketable securities, debts due to the business, shares in dividend-paying companies, Stock-in-Trade, Freehold and Leasehold Property, Loans on Mortgage, etc. (2) Assets unrealisable except as a going concern, such as Buildings erected for a special purpose, Fixtures and Fittings, Plant, and Shares in non-dividend-paying companies. Assets that are Intangible, some of them unrepresented by expenditure, and therefore largely fictitious, such as short Leases, unexpired Insurances, Rates, Taxes, &c., Trade Marks, Patents, Copyright, Goodwill, Development Expenditure, Preliminary Expenses. (4) Losses, such as a deficiency on the Profit & Loss A/c., or any special loss brought into the Balance Sheet.

234. In preparing a Balance Sheet the items must be grouped, ranked, or marshalled in a consistent manner. No definite rule can be laid down for marshalling the items beyond stating that there are two principal methods adopted in modern business. The first method is that in which the Assets are so arranged or marshalled according to their availability for the discharge of the Liabilities. That is, those Assets which may be readily realised come before those which are not so readily convertible into cash. The three items, Cash, Bills Receivable, and Investments—total £7462 1 11, shown in the Balance Sheet on page 255, would be called Liquid Assets, on account of the fact that they are *immediately* available or realisable for the payment of Liabilities. The Liabilities must be displayed in the order in which they would be required to be met, the Capital coming last. This arrangement of a Balance Sheet is generally adopted by banks and financial undertakings (see page 257), also by the smaller class of ordinary traders or firms.

235. The second method of marshalling the items is almost the reverse of the first method, the most unrealisable assets, such as Property, Fixtures, Machinery, being put first, and Bills Receivable, Investments,

and Cash last, as shown in the example on page 256. This method is the one adopted by some private businesses, and by most **Limited Companies**, whose Capital is generally stated first on the left-hand side of the B/S., followed by the various Liabilities. The Nominal or Registered or Authorised Capital is the maximum amount which a Limited Company has power to raise; say, 50,000 shares of £1 each. Issued or Subscribed Capital is the amount offered and subscribed for, and consequently allotted in shares or stock to the shareholders; say, £45,000, thus leaving £5,000 Unissued Capital to be issued at a later date, if necessary. The Called-up Capital is that portion of the Subscribed Capital which is necessary in order to carry on the business of the Company; say, 10s. per share = £22,500. The Paid-up Capital is that part of the Called-up Capital which has actually been received in cash by the Company from the shareholders; say, £22,400: one shareholder having failed to pay the "call" made upon him.

236. The question now arises, does the following B/S. on page 255 show you to be free from financial embarrassments? Yes. Why? Because while your Current Liabilities (Sundry Creditors on B/P. and Open A/cs.), cannot possibly exceed £5373 11s. 2d., you have Liquid Assets to meet them amounting to £7462 1s. 11d.; surplus £2098 10s. 9d. Had your Liquid Assets, however, only amounted to £500, even though your other assets had been correspondingly increased, your financial position would have been considered unsound, inasmuch as you would have been unable to meet readily the demands of your creditors. Such a B/S., while showing you to possess the same amount of capital, would nevertheless indicate what is known as Overtrading, which means purchasing beyond your capital; or trading without adequate means actually at command.

237. If you had occasion to place the B/S. on page 255 before your Banker with the object of negotiating a loan you would find that in forming his estimate of your financial position, he would depreciate your stock at

least 10%, Plant, &c., 50%, Premises and Fittings, 75%, and totally disregard the Goodwill. Business premises are generally most difficult to dispose of when forced upon the market; Goods, Plant, Machinery and Fittings, when put under the hammer, are often sold at a great sacrifice, while Goodwill is generally unsaleable.

238. In preparing Trading, P. & L. A/cs., and B/S. from exercises it is advisable, first of all, to make a T.B., remembering *not* to include therein any of the various adjustment items, relative to reserves, depreciation, &c., which are generally given either at the beginning or the end of the exercise. When reserves and depreciations have to be provided be careful to show them both in the P. & L. A/c. and B/S. Where depreciation has been provided for in the a/cs. before the preparation of the T.B., it must be noted that the Real A/c. affected has been charged and that the *net* amount of the asset will appear among the Dr. balances of the T.B.; therefore if it is desired to show such depreciation in the B/S., it must first be *added* to the amount as shown in the T.B., and then deducted. Care must be taken not to charge *excessive* depreciation in respect of capital additions during the period under review; for instance, supposing Machinery A/c. stands on 1st January at £5000, and, during the following June, additional Machinery is purchased of the value of £500, the depreciation to be reckoned on the annual balancing in December (unless otherwise stated), would not be 10% on £5500 for twelve months, but would be 10% per annum on £5000 = £500; plus 10% per annum on the £500 = £25, the latter being for six months only.

Dr.	Machinery A/c.				Cr.
1921 Jan 1	To Balance	b/f	£ 5000	1921 Dec 31	By Depreciation —
June 20	„ Cash for Additions	500			10% on £5000 £500
					10% on £500 £25
					Balance c/d
1922 Jan 1	To Balance	b/d	£ 4755		

BALANCE SHEET OF MESSRS. SOLVENT & CAPITAL on 31st December, 1921.

## DAVY BROTHERS, Limited, SHEFFIELD. Balance Sheet on 30th April, 1909.

CAPITAL AND LIABILITIES.				ASSETS.	
CAPITAL AUTHORISED—				Land (Freehold) and Buildings, Fixed Plant and Machinery—	
3000 Ordinary Shares of £15 each nominal value.....	105000			As per last Balance Sheet .....	10891 7 10
60000 Five per cent. Cumulative Preference Shares of £1 each nominal value .....	60000			Less Appropriation from Profit & Loss Account, 1909 .....	7300 -
CAPITAL ISSUED—				Additions to Plant during the year	
3000 Ordinary Shares on each of which £30 has been paid .....	£00000			106591 7 10	
32216 Preference Shares on each of which 20/- has been paid. ....	32216			8210 12 1	
Debentures .....	100916			109191 19 11	
Mortgage .....	30000			1400 -	107731 19 11
Sundry Creditors .....	6100				
Balance as per last Balance Sheet, 1908 .....	11013	0 11			
PROFIT & LOSS ACCOUNT—					
Profit & Loss Account—					
Balance as per last Balance Sheet, 1908 .....	13110	18 9			
Less Dividend .....	5230	8 -			
Appropriated to Plant and Machinery .....	7500	- 125.10 8 -			
Balance brought forward .....	650	10 9			
All Gross Profit for Year ended 30th April, 1909 .....	10760	7 3			
Less Interest on Mortgage and other Loans .....	1661	1 10			
Depreciation .....	1931	16 1			
Less Income Dividend on Preference Shares paid 1st Feb., 1909 .....	730	8 -			
					£170733 18 9

Balance Sheet of the London County Banking Company, Limited, 31st December, 1916.

LIABILITIES.	£	ASSETS.	£
Capital subscribed £800000 paid up .....	200000	Cash in hand and at Bank of England.....	4874102
Reserve Fund .....	150000	Loans at call and short notice .....	2842590
Current and Deposit A/c., with Interest accrued, circular notes, &c. ....	14714571	Investments, viz.:—	
Acceptances .....	1561639	Consols and other British Securities (of which £2570630 Consols is lodged for Public Accounts) .....	721905
Rebate on bills not due carried to next A/c. ....	31803	India Government Stock, Guaranteed Railway Stocks and Debentures .....	1053632
Net Profit for the half-year, after making provision for doubtful debts. ....	25000	Metropolitan and other Corporation Stocks, Railway Debentures and Colonial Bonds, ....	1917627
Transferred to premises account .....	2663905	Other Securities, ....	6716
Carried to Reserve Fund .....	50000	Discounted Bills of Exchange current .....	7290062
P/L. balance b/f. from last a/c. ....	2169005	Advances to Customers .....	16901178
	68357	Labilities of Customers for Acceptances as per contra.....	1361658
	306862	Bank Premises in London and country .....	5790587
	1002687	Less amount transferred from P. & L. A/c. ....	23000
	£ 1002687		5516587
	£ 49127577		£ 49127577

Dr.	Profit & Loss A/c. for the half-year ending 31st December, 1916.		Cr.
To Interest paid to Customers .....	135406	By Balance b/f. from last a/c. ....	89557
" Salaries and all other expenses including Income tax on profits and salaries, auditors' and directors' remuneration .....	205760	" Gross profit for the half-year, after making provision for doubtful debts and including rebate £27381 17s. 6d. brought from 30th June last .....	751934
" Rebate on bills not due, carried to new a/c. ....	31803	—	—
" Transferred to Premises A/c. ....	25000	—	—
" Carried to Reserve Fund .....	£290000	—	—
" Dividend 10% for the half-year .....	20000	—	—
" Bonus 1% .....	56562	—	—
" Balance carried forward .....	306862		£ 8414891
	1		1

**239. ERRORS, their Discovery and Rectification.** If the totals of the Trial Balance should disagree you must first of all carefully recast them in order to satisfy yourself that the error is not in the totalling. Then compare each item in the T.B. with the respective totals or balances, some of which you may have omitted to carry to the T.B., or placed in the wrong column thereof, or it may be that some of the totals or balances are themselves incorrect. If still undiscovered ascertain the *difference* existing, and look carefully through the Journal for that amount, or the half of it, and if detected, confirm it by reference to the Ledger posting. If your search proves unsuccessful you must then check each posting until the error be found. You may have omitted to post an item, or have transposed or misplaced the figures, *i.e.*, £1 18 4 as £11 8 4. The value of stock must never be credited before the T.B. is arranged, as it would create a disagreement between the two columns. The T.B. will not reveal such errors as (*a*) posting an amount to the wrong A/c. (*b*) omitting to post two equal sums to both sides of the Ledger.

**240. ERRORS in JOURNALISING,** if discovered before posting, may be ruled through, and a fresh entry made. Should, however, an incorrect entry have been posted, it will be necessary to make a compensating entry in the Journal to remedy the defect. The following are a few examples of errors, each followed by its rectifying Journal entry :—

1. "E. Bate Dr. to A. Field, £50," instead of £150.  
*E. Bate Dr. To A. Field, £100.*
2. "Bank Dr. to I. Kay, £300," instead of J. Kay.  
*I. Kay Dr. To J. Kay, £300.*
3. "T. Smith Dr. to Goods £20," instead of Bank Dr. to Goods.  
*Bank Dr. To T. Smith, £20.*
4. "Cash Dr. to Bank, £100," instead of Bank Dr. to Cash.  
*Bank Dr. To Cash, £200.*
5. "Cloth Dr. to A. Cook, £50," instead of Cloth Dr. £150, to Cook & Co., £50, and A. Cook, £100.  
*Cloth Dr. £100, To Cook & Co., £50, and A. Cook, £50.*
6. "B. Gott, Dr. to Bank, £35," instead of Bank Dr. to B. Gott, £3 5 ..  
*Bank Dr. To B. Gott, £38 5 ..*
7. "Brook Bros., Dr. to Goods, £350," instead of Brook Bros., £300, and Brooks & Co., £50 Dr. to Goods.  
*Brooks & Co., Dr. to Brook Bros., £80.*

**241. ERRORS in POSTING** must be rectified by transfer entries which must be passed through the Journal. The compensating Journal entry is given after each of the following examples of *mis-postings*.

1. Posted £50 to the Cr. side of A. Hart's a/c. instead of the Cr. side of T. Sterne's a/c. *A. Hart Dr. To T. Sterne. £50.*
2. Posted £10 to the Cr. side of Goods a/c., and the Dr. side of F. Day's a/c., instead of the Dr. side of Goods a/c. and Cr. side of F. Day's a/c. *Goods Dr. To F. Day. £20.*
3. Posted T. Flint Dr. to Bank, £50 to both a/cs., instead of £50. *T. Flint Dr. To Bank. £6.*

**242. LEDGERS** being for postings only from the *Books of Original Entry*, no entry must be made therein without having been first entered either in the Cash or one of the subsidiary books. When this rule is violated the original entry in the Ledger is known as a "Blind Entry." In extensive concerns it is found necessary to keep the Ledgers in parts or sections on account of the impossibility for one Book-keeper to post all the transactions, and the inconvenience that would arise from having to handle an otherwise large and cumbrous book. Ledgers are primarily divided into three :—(1) Credit or Purchases Ledger; (2) Debit or Sales or Customers' Ledger; (3) Impersonal or General Ledger. In very large establishments the first two are further divided into London and Country, Home and Foreign, and District or Travellers' Ledgers, each one being kept by a different Book-keeper, who makes out his own Statements, and checks those coming in from other firms relating to his own department. The Debtors' and Creditors' Ledgers are, of course, posted daily. The Impersonal or General Ledger is for recording all a/cs. except personal a/cs. and cash or bank, and is often kept by a member of the firm, the postings being made monthly. The Impersonal Ledger may be divided into two books—General and Private—the former containing all the subsidiary P. & L. A/cs. and the latter being reserved for the Capital, Trading, P. & L. A/cs. and B/S. only. In the case of Banks, the a/cs. of the customers are contained in a large number of Ledgers, each of which is allotted to one or more letters of the alphabet, e.g. :—A. to C; D to G; H to L; M to O; P to S; T to Z.

**243.** When **SECTIONAL LEDGERS** are thus employed they should be made Self-balancing, i.e., balance in themselves without the aid of any other book; contain within themselves a complete T.B. The special advantages of Self-Balancing Ledgers are in reducing the risk of compensating errors remaining undetected; in being able to localise errors to any one particular Ledger, in helping to prevent or detect fraud on the part of one of the Book-keepers; in other words, to verify the accuracy of each Ledger separately. The Purchases and Sales Ledgers, which always contain the greater number of accounts, should be balanced separately at least once every month, so as to avoid having to check a large number of postings in case of an error. Exercise 28, pages 124-6, is taken for the purpose of illustrating this subject. The Journal, Purchases, Sales, and Cash Books require to be entered in the usual way, plus, *three extra cash columns* in the Journal and on each side of the Cash Book, headed "Purchases Ledger," "Sales Ledger," "General Ledger," although some Book-keepers might prefer to dissect or summarise the various entries similar to the Sales Book on page 92, and thus dispense with the extra columns suggested. Post the following accounts to the Purchases Ledger: J. Morrison & Sons, Robertson & Cooper, D. Byer & Sons, Glasgow Aniline Co., Rennie & Sons, A. Millar; to the Sales Ledger: Leslie & Co., Gordon & Jackson, Macdonald & Co., Borthwick & Stewart, Baird & Sons, Henderson & Linton, Boyd & Nesbit; the remainder of the accounts to the General Ledger.

**244.** If each Ledger is kept separately it follows that, in order to carry out the principle of double entry, certain Adjustments, or Reconciliation, or Balance A/cs. must be kept; for instance, all the items in the Purchases Book have been posted to the Cr. side of the personal a/cs. in the Purchases Ledger, and in order to complete the double entry the total of these purchases must be debited to an *Adjustment A/c.* in that Ledger and credited to the *Purchases Ledger Adjustment A/c.* in the General Ledger. This shows that for every item posted in the Departmental Ledgers there must be posted a contra or opposite entry to an *Adjustment A/c.*,

these items being entered in totals for convenience. Thus every Ledger is made self-balancing by each Departmental Ledger containing a *General Ledger Adjustment A/e.*, and the General Ledger having an *Adjustment A/c.* for each Departmental Ledger.

**245.** In the Purchases Ledger open an account headed *General Ledger Adjustment A/c.*, and post to the Dr. side from the Purchases Ledger Column of the Journal the total of the opening entries, £1118 6 6, also the £18 5 9 for Stationery. The next items to be debited are the totals of the Purchases Book: Dyewoods £381 5 -; Colours £641 16 8. The Adjustment A/e. must now be *credited* with the total of the Purchases Ledger Column on the Cr. side of the Cash Book (including discount), £952 - 4. If there had been any goods returned or Bills accepted, the totals thereof would also have needed crediting. The difference between the two sides of this a/c. is £1207 13 7, which is the total of the balances of the Purchases Ledger, and agrees with the balance of the *Purchases Ledger Adjustment A/c.* in the General Ledger. As there is always a greater value of credit than debit balances in the Purchases Ledger, it follows that the Adjustment A/c. will always show a debit balance.

Dr.	General Ledger Adjustment A/c.				Cr.					
1908		£	s.	d.	1908		£	s.	d.	
Jan. 1	To Credit of Purchases Ledger...	1118	6	6	Jan. 31	By Cash Book total of Cr. entries.	921	-	-	
" 19	" Journal (Stationery).....	18	5	9		" Discount.....	91	-	4	
" 31	" Sundries per Purchases Book— Dyewoods ...	381	5	-		" Returns Book...	-	-	-	
	Colours.....	641	16	8		" Bills Payable...	-	-	-	
		£	2159	13	11		" Balance c/d. ...	1207	13	7
Feb. 1	To Balance b/d. ....	1207	13	7			£	2159	13	11

**246.** In the Sales Ledger open an account headed *General Ledger Adjustment A/c.* and post to the Cr. side from the Sales Ledger Column of the Journal the total of the opening entries, £639 10 7, and debit the Bad Debt of £8 18 2. The next items to be credited are the totals of the Sales Book: Dyewoods £700 5 1, Colours £1666 16 1. This Adjustment A/c. must now

be debited with the total (less discount) of the Sales Ledger Column on the Dr. side of the Cash Book £999 3 4; also Discount £19 16 3. If there had been any goods returned or Bills received the totals thereof would have needed debiting. The difference between the two sides of this a/c. is £1978 14 -, which is the total of the balances of the Sales Ledger, and agrees with the balance of the *Sales Ledger Adjustment A/c.* in the General Ledger. As there is always a greater value of debit than credit balances in the Sales Ledger it follows that the Adjustment A/c. will always show a credit balance.

Dr.	General Ledger Adjustment A/c.	Cr.
1908		
Jan. 31	To Journal (Bad Debt) .... .....	£ s d
" "	Cash Book total of Dr. entries ..	618 2
" "	Discount .... ..	999 3 4
" "	Returns Book ..	19 16 3
" "	Bills Receivable ..	- - -
" "	Balance c/d .....	1078 14 -
		£ 3006 11 9
1908		
Jan. 1	By Debit of Sales Ledger b/f....	£ s d
" 31	" Sundries per Sales Book— Dyewoods ... Colours .....	639 10 7 700 5 1 1666 16 1
		£ 3006 11 9
Feb. 1	By Balance b/d. ....	1978 14 -

In the General Ledger open the two following a/cs. :

Dr.	Purchases Ledger Adjustment A/c.	Cr.
1908		
Jan 31	To Cash Book ..... .....	£ s d.
" "	Discount.....	921 - - -
" "	Returns Book ...	31 - 4
" "	Bills Payable.....	- - -
" "	Balance c/d. ....	1207 13 7
		£ 2159 13 11
1908		
Jan 1	By Cr. of Purchases Ledger b/f. ....	£ s d.
" 19	" Journal (Stat.y.) .....	1116 6 6
" 31	" Sundries P.B.— Dyewoods .. Colours .....	18 5 9
		£ 2159 13 11
Feb. 1	By Balance b/d. ....	1207 13 7

Dr.	Sales Ledger Adjustment A/c.	Cr.
1908		
Jan. 1	To Debit of Sales Ledger b/f. ....	£ s.d.
" 81	" Sundries per S.B. Dyewoods .. Colours .....	639 10 7 700 5 1 1666 16 1
		£ 3006 11 9
Feb. 1	To Balance b/d ..	1978 14 -
		£ 3006 11 9

247. From the above it will be seen that the Adjustment A/cs. in the Purchases and Sales Ledgers are identical with their respective Adjustment A/cs. in the General Ledger, except that the debits in one are credits in the other, and vice versa. Therefore, if the balances of these two a/cs. agree, the postings should be correct. The adjustment entries should, of course, be made through the Journal, similar to the following :—

On Proving Purchases Ledger. Ex 28

		Dr.	Cr.
1908		£ s d	£ s d
Jan. 1	General Led Adj A/c .. ....Dr To Purchases Led Adj A/c (Being Cr Balances at commencement of month)	1118 6 6	1118 6 6
.. 19	General Ledger Adj A/c .....Dr To Purchases Led. Adj A/c . (Being Purchase of Staty from J )	18 5 9	18 5 9
.. 31	General Ledger Adj A/c .....Dr To Purchases Led Adj A/c . (Being Purchases for month)	1023 1 8	1023 1 8
.. 31	Purchases Led Adj A/c .....Dr. To General Led Adj A/c.... (Being Cash paid during month)	921 - -	921 - -
.. 31	Purchases Led Adj A/c .. ..Dr To General Led Adj. A/c. ... (Being Dis. allowed on payments)	31 - 4	31 - 4

On Proving Sales Ledger. Ex 28

		£ s d	£ s d.
1908		£ s d.	£ s d.
Jan. 1	Sales Led Adj A/c.....Dr To General Led Adj A/c..... (Being Dr. Balances at commencement of month)	639 10 7	639 10 7
.. 31	General Led. Adj A/c .....Dr. To Sales Led Adj A/c ..... (Being Bad Debt from Journal)	8 18 2	8 18 2
.. 31	Sales Led Adj. A/c .....Dr To General Led Adj A/c .... (Being Sales for month).	2367 1 2	2367 1 2
.. 31	General Led Adj. A/c .....Dr To Sales Led Adj A/c ..... (Being Cash received during month)	999 3 4	999 3 4
.. 31	General Led Adj A/c.....Dr. To Sales Led. Adj A/c..... (Being Discount allowed on receipts)	19 16 3	19 16 3

### **CASH BOOK**      Exercise 28 (pages 121-6)

Cr.

## CASH BOOK. Exercise 28 (pages 124-6).

	PAYMENTS.	Led. Fo.	Purchases Ledger.	Sales Ledger.	General Ledger.	Discount.	Office.	Bank.	
		£	s. d.	£	s. d.	£	s. d.	£	s. d.
1908	By Rennie & Sons .....								
Jan. 5	" Bank .....	100	-	610	-	160	-	100	-
" 7	" Office Furniture A/c.	220	-	20	-	610	-	40	-
" 8	" Robertson & Cooper .....			1112	-	1112	-	291	-
" 10	" Office .....								
" 12	" Wages A/c.....								
" 13	" Rennie & Sons .....			3 8	6	3 8	6	5	-
" 15	" Horse Cart .....			8 5	6	8 5	6	146	5 -
" 18	" Carriage A/c .....			7 13	9	7 13	9	176	8 -
" 19	" Glasgow Airline Co. ....	15316	9	15	-	15	-	22	-
" 20	" Robert Ingalls (Drawings A/c.) .....			3 8	6	3 8	6	22	-
" 21	" Repairs .....			2 010	-	2 010	-	25	-
" 22	" Morrison & Sons .....			6 18	6	6 18	6	555	-
" 23	" Office .....			22	6	22	6	22	-
" 24	" Repairs .....			65	-	65	-	20	-
" 25	" Bank .....			20	-	16	9	17	9 -
" 26	" Wages A/c.....			10	-	10	-	20	-
" 27	" Rent .....			20	-	20	-	20	-
" 28	" Wilson Glenrie (Drawings A/c.) .....	19	6 9	11	3	11	3	11	3 -
" 29	" Alexander Millar .....			28	-	28	-	182	12 -
" 30	" Insurance .....			c/d		c/d			
" 31	" Robert Ingalls (Drawings A/c.) .....								
" 32	" Trade Expenses A/c. ....								
" 33	" Balances .....								
		£155	1 8	£131	4	£222	5	£154915	-
		155	-	131	-	222	-	154915	-

For Payment of Cash  
received in excess to Debitor.

## Exercise 28 (pages 124-6).

## Purchases Ledger Trial Balance.

	Dr. £ s. d.	Cr. £ s. d.
Morrison & Sons .....	78 5 -	
Robertson & Cooper .....	505 14 5	
Byer & Sons .....	387 18 6	
Glasgow Aniline Co. ....	235 15 8	
Rennie & Sons .....		
Alexander Millar .....		
General Ledger Adjustment A/c. ....	1207 13 7	
		<u>£1207 13 7</u>
		<u>£1207 13 7</u>

## Sales Ledger Trial Balance.

	Dr. £ s. d.	Cr. £ s. d.
Leslie & Co. ....	454 8 -	
Gordon & Jackson .....	703 16 4	
Macdonald & Co. ....	145 5 -	
Borthwick & Stewart .....	261 1 2	
Baird & Sons .....	414 3 6	
Henderson & Linton .....		
Boyd & Nesbit .....		
General Ledger Adjustment A/c. ....		1978 14 -
		<u>£1978 14 -</u>
		<u>£1978 14 -</u>

## General Ledger Trial Balance.

	Dr. £ s. d.	Cr. £ s. d.
Robert Inglis, Capital A/c. ....		1330 6 6
Robert Inglis, Drawings A/c. ....	35 - -	1425 19 5
Wilson Glennie, Capital A/c. ....		
Wilson Glennie, Drawings A/c. ....	20 - -	
Dyewood A/c. ....	761 18 4	
Colours A/c. ....	261 7 4	
Office Furniture A/c. ....	106 10 -	
Horses, Waggon, &c., A/c. ....	180 - -	
Wages A/c. ....	33 17 8	
Carriage A/c. ....	8 5 6	
Trade Expenses A/c. ....	69 14 3	
Bad Debts A/c. ....	8 18 2	
Purchases Ledger Adjustment A/c. ....		1207 13 7
Sales Ledger Adjustment A/c. ....	1978 14 -	
Cash A/c. ....	28 6 4	
Bank A/c. ....	482 12 -	
Discount A/c. ....		11 4 1
		<u>£3975 3 7</u>
		<u>£3975 3 7</u>

248. There is, perhaps, nothing in the work of the book-keeper, particularly in a large business, which is

more tedious and laborious and causes such a waste of time as the periodical transfer of accounts from a full into a new Ledger. His attempt to allocate to each account the number of pages it is *expected* it will occupy is always more or less futile; reference to the index will generally show that a large number of the accounts have been moved into several different positions, thus making the allocation of an account by its folio somewhat difficult. With the view of avoiding this periodical transference of accounts and of economising generally in this matter, there are now being introduced what are known as **Perpetual Ledgers**, which consist either of (1) loose leaves bound together in the form of an ordinary book-wise letter-file, where a punched leaf may be inserted or extracted at will; or (2) loose cards kept in a drawer or tray, into which the cards are fastened by means of a rod passing through a slot in the bottom of the card. Both systems admit either of the alphabetical or numerical arrangement of the sheets and cards, or a combination of the two; and the advantages afforded by the adoption of either system may be stated as follows :—(1) Opening of new Ledgers dispensed with. (2) The position of an account *never changes*. (3) No blank leaves or cards. (4) The removal of "dead" or closed accounts and full sheets or cards to the "Closed A/c." division of the file. (5) The handling of "live" or current accounts only. (6) The greater facility with which the monthly Statements may be prepared. (7) Greater facility for auditing.

**249.** All Ledgers are **Indexed**, the method adopted varying with the extent and character of the business. In small offices an ordinary alphabetical index is used; in a larger Office each letter of the alphabet is treated in **vowel order**, i.e., the names are entered in one of six columns (see appendix), according to the first vowel after the initial letter in the surname. In the largest counting houses the index, in addition to being arranged in vowel order, is classified into the counties or districts in which the debtors and creditors carry on business. In the case of a large book it is often an advantage to have the index made separate instead of being bound into the

book; or better still to adopt the modern system of Card Indexing, where a separate card, slotted into a tray, is used for each name. This system is not only most effective by reason of its handiness and elasticity, but it obviates the great labour involved in re-writing an index.

**250. STOCK BOOK.** As its name implies this book contains an inventory of the merchant's goods on hand. There must be two sides, one for goods purchased, and the other for goods sold. It is customary to enter the date of the transactions, and the quantity, class, price and total cost of the goods. The purchases side is particularly useful to the merchant, as it enables him to ascertain, readily, at what price he can sell in order to make a reasonable profit. This book is chiefly useful to the merchant who buys and sells the same kind of goods. The manufacturer who produces goods would have no use for such a book. He would, however, keep a

**251. WAREHOUSE BOOK (W.B.)** which would contain full particulars of the manufactured articles. This book presents to the manufacturer in a concise manner his saleable stock, and thereby assists him in regulating the output of his production. The goods received into the warehouse would be entered on one side and the goods sent out on the other. The form of the entries must, of course, vary with the nature of the business.

**252. WAGES.** Contract A/cs. must only be debited with such wages as directly increase the cost of production. Wages paid for tanning hides are productive, as the leather is worth more than the raw hides. Wages paid to the stone-mason are productive, as the dressed stone is more valuable than the block just quarried. In such cases the Tanner would debit his Trading A/c. and the Builder his Contract A/c. Wages paid to clerks and book-keepers, however, are not directly productive, and should generally be debited to the P. & L. A/c. as a charge against the entire business. Should a clerk, however, be exclusively engaged, say, in keeping the books and acting as cashier on a large contract, then you would debit such contract with his salary.

**253. WAGES BOOK.** This subsidiary book contains full particulars of each amount paid for wages. At least five columns are required, the first two being for the number and name of the employee, the third for the number of hours worked, the fourth for the rate of payment, and the fifth for the amount paid. Columns 3, 4, and 5 may be repeated on the same folio for as many weeks as the pages will admit of rulings, thereby saving the frequent rewriting of the names. The weekly total is, of course, entered in the Cash Book, and from there posted to the Wages A/c. in the Ledger. In the case of a departmental business either a separate W/B., or separate columns would be kept for each department, or a summary would be prepared of the general W/B. and each department debited with its proper share. The contributions payable under the National Insurance Act may be entered in the Wages Book by the adoption of suitable rulings similar to the second example below.

#### SIMPLE WAGES BOOK.

No	Name	No of Hrs	Rte	July 20			July 27			Aug 3			
				£	s	d	£	s	d	£	s	d	
1	Brown, Chas...	12	2/-	1	4	-	10	2/-	4	-	35	2/-	3 10 -
2	Day, James ...	10	2/-	4	-	-	35	2/-	3 16	4	40	2/-	4 - -
3	Sykes, Bill....	35	1/6	2	12	6	48	1/6	3 12	-	48	1/6	3 12 -
4	Hoyle, John ..	46	1/6	3	9	-	48	1/6	3 12	-	56	1/6	4 4 -

#### WAGES and INSURANCE BOOK.

No	Name	No of Hrs	Rte	Full Wages			Deductions from Wages for Insurance			Employer's Contributions			
							Health		Unem ployment				
				£	s	d	£	s	d	£	s	d	
1	Brown, C	42	2/-	4	4	-	-	5	-	9	4	2	10
2	Day, J...	40	2/-	4	-	-	-	5	-	9	8	18	10

## EXAMINATIONS IN BOOK-KEEPING.

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**254.** Book-keeping is one of the subjects specified by the Universities of London, Edinburgh, Birmingham, and Manchester in connection with the examinations for the degrees of B.Sc. (Economics), or Bachelor of Commerce; also in the Examination Syllabuses of the following societies :—The Institute of Chartered Accountants (*Moorgate Place, London, E.C. 2*), The Society of Incorporated Accountants and Auditors (*50, Gresham Street, Bank, London, E.C. 2*), Chartered Accountants of Scotland (*General Examining Board, 23 St. Andrew Square, Edinburgh*), The Institute of Chartered Accountants in Ireland (*4 College Green, Dublin*), The Institute of Municipal Treasurers and Accountants (Incorporated) (*Town Hall, Kensington, London, W.*), The Corporation of Accountants, Ltd. (*55 West Regent Street, Glasgow*), The London Association of Accountants, Ltd. (*Temple Chambers, Temple Avenue, London, E.C. 4*), The Institution of Certified Public Accountants, Ltd. (*Coventry House, South Place, Finsbury, London, E.C. 2*), The Institute of Cost and Works Accountants (*38 Grosvenor Gardens, Victoria, London, S.W. 1*), The Institute of Actuaries (*Staple Inn Hall, Holborn, London, W.C. 1*), The Chartered Institute of Secretaries (*59a London Wall, London, E.C. 2*), The Secretaries' Association, Ltd. (*70a Basinghall Street, London, E.C. 2*), The Surveyors' Institution (*12 Great George Street, Westminster, London, S.W. 1*), The Auctioneers' Institute of the U.K. (Incorporated), (*34 Russell Square, London, W.C. 1*), The Incorporated Law Society (Solicitors' Inter. Exam.) (*113 Chancery Lane, London, W.C. 2*), The Institute of Certificated Grocers (*4 Cullum Street, London, E.C. 3*), National Association of Local Government Officers (*24 Bloomsbury Square, London, W.C. 1*).

**255.** This textbook, which contains many Examination Papers set by some of the above Societies, covers the whole of the work specified by their respective

syllabuses. In addition to the above *special bodies*, at whose examinations only those who are *articled* or otherwise *specially qualified* are permitted to sit, there are the following *public examining bodies*, at whose examinations anyone may sit on payment of the necessary fees (if any) to the Secretary of the local examining centre :—The Royal Society of Arts; The London Chamber of Commerce; The National Union of Teachers; The Lancashire & Cheshire Union of Institutes; The Union of Educational Institutions; The Faculty of Teachers in Commerce (*1. James, 36 Wellington Road, Smethwick, Birmingham*); The Central Welsh Board (*Cardiff*); The University of Oxford (*Merton Street, Oxford*), held in July; and the University of Cambridge (*Syndicate Buildings, Cambridge*), held in July and December. The Local Examinations held by the two Universities, as well as the Examination of the College of Preceptors (*Bloomsbury Square, London, W.C. 1*), are chiefly patronised by Grammar Schools. The subject of Book-keeping cannot be taken alone, being one of the optional subjects required on taking the Certificate of the College, the exams. being held in June and December. In Civil Service (*C.S. Commissioners, Burlington Gardens, London, IV. 1*) examinations, book-keeping is an optional subject for Second Division Clerkships, and compulsory for Customs' Outport Clerkships, Assistant Surveyor of Taxes, and others; the examination papers set being amply covered by working to the chapter on Company A/cs.

256. The Royal Society of Arts examinations are held about March and May each year, and the results are announced about August. The Elementary or Stage I. Examination, for which the entrance fee is 2/6, is an easy test, and is well covered by the first 147 pages of this textbook. An Exercise is set in writing up simple transactions into the Subsidiary books, posting to the Ledger, and extracting a T.B. Questions must be answered relative to simple business terms and abbreviations, and on the use of business Forms, Invoices, Statements, Bank Notes, Cheques, Bills of Exchange,

and Receipts; Order, Postage, Petty Cash, Cash, Stock, Purchases and Sales Books To gain a Certificate 50% of the total marks must be obtained. Intermediate or *Stage II.* is covered by working to Exercise 100; and the Advanced or *Stage III.* by studying the remainder of the complete book. The entrance fee of 3/6 for the Intermediate Stage, and 1/- for the Advanced Stage must be paid in February or April to the Secretary of the centre where you intend sitting. A copy of the Society's Syllabus is issued in September each year, and may be had from the *Secretary, 18 John Street, Adelphi, London, W.C. 2,* for 1d., post free. First and Second Class Certificates are awarded; the minimum percentage of marks required for Stage II. being 70 and 40 respectively; and for Stage III. 75 and 50 respectively.

**257.** The Examination Paper of Stage II. of the R.S.A. (of which Exercises 49 to 69*h* are examples) is divided into two sections: Questions and Exercises. Candidates may answer *one question* but not both. Both exercises are required of all candidates, who must be prepared to answer questions as to the meaning of mercantile terms, and as to the nature and use of the books of account usually kept by mercantile or manufacturing enterprises, including Limited Companies; and to work exercises upon the principle of double entry, involving the use of Subsidiary Books, and the preparation of Trading, P. & L. A/cs., and B/S. Specially ruled paper is supplied, the pages having printed headings and allocated as follows:—(1) Answer to question; (2) Sales Book; (3) Cash Book, two pages; (4) Purchases Book; (5) Journal; (6) Ledger A/cs., each headed "Dr." and "Cr." and numbered up to 28; (7) Trial Balance; (8) Trading and Profit & Loss A/cs. for Ex. 2; (9) Balance Sheet for Ex. 2.

**258.** All the exam. papers set for Stage III. of R.S.A. will be found among the papers at the end of the exercises. The Advanced syllabus states that candidates must be prepared to work an exercise and also *answer*

questions (not work exercises) upon :—(1) The uses, forms, and rulings of books employed in different enterprises, whether wholesale or retail, merchant, manufacturing or financial; and whether governed by private trading agreements, by the Companies' Acts, or by special Acts of Parliament. (2) The statistical books and registers of limited and other companies—their rulings, uses and methods of keeping. (3) The methods of keeping and presenting A/cs. (including branch and departmental a/cs.) of private partnerships (including the adjustment of accounts as between partners) and public companies however constituted including the columnar or tabular system and the sectional system of self-balancing ledgers. (4) Foreign currencies and their record in books of a/c. (5) Income Tax.

**259.** Adequate and excellent Keys to Stages 1, 2, and 3 of the Examination Papers of the Royal Society of Arts, may be had from Mr Arthur Fieldhouse, 66 Trinity Street, Huddersfield, at 1/1 each, post free, for cash with order only. These models should be studied by every candidate.

**260.** As will be seen from the exam. papers given at the end of the exercises the subjects of Accounting and Banking, which are Stage III. subjects of the R.S.A., are practically covered by a careful study of the whole of the complete textbook, and should not be taken until Book-keeping has been thoroughly mastered.

**261.** The London Chamber of Commerce examinations are usually held about the middle of May each year, the results being announced about the end of July. They are divided into *Junior* and *Senior*, the entrance fees being respectively 2/6 and 5/-. The *Junior* examination is equivalent to Stage II. of the Society of Arts, and if therefore covered by working those Examination Papers. The *Senior* is equivalent to Stage III. of the Society of Arts, and requires a careful study of the Complete book. The L.C.C. also

hold exams. for Teachers' Diplomas, the same papers being set as for the *Senior* with additional questions for those desirous of taking the diploma. Candidates are required to answer both the ordinary and additional questions, and obtain a higher percentage of marks for a "Pass" or for "Distinction" than is expected for the Senior Certificate. A copy of the Syllabuses, issued in October, may be had from the *Secretary, 1 Oxford Court, Cannon Street, London, E.C. 4*, free of charge. **Adequate Keys to L.C.C. Junior and Senior Exam.** Papers for May only may be had from *Mr. Arthur Fieldhouse, 66 Trinity Street, Huddersfield*, for cash only at 1/1 each, post free.

**262.** The exams. held by the **National Union of Teachers** in March or April, cover the usual three stages, the entrance fees for London and the Provinces being respectively 3/- and 2/- Elementary; 3/6 and 2/6 Intermediate and Advanced. External candidates, not entered by a school, pay a fee of 4/- in London, and 3/- in the Provinces. The Syllabus may be obtained from the *Secretary, Hamilton House, Mabledon Place, London, W.C. 1*, for 3d. post free

**263.** The **Lancashire & Cheshire Union of Institutes** also holds examinations every March in all the three Stages, every item in the Syllabus being covered by this book. The entrance fee is 10d. in respect of students of the affiliated institutes: for external students 2/6. A Syllabus may be obtained (post free 11d.) from the *Secretary, 38 Blackfriars Street, Manchester*. The results are generally announced about the end of June. The marks on the Examination Papers are apportioned as follows:—*Junior*: theory 15, practical a/cs. 85. *Senior*: theory 25, practical a/cs. 75.

**264.** The **Union of Educational Institutions** holds an examination in the Elementary and Intermediate Stages, in March or April each year, the fees being 1/- for internal and 1/6 for external candidates, payable the

last week in February. First-class certificates are awarded to those securing 75% of marks, and a second-class for 50 marks and upwards. A Syllabus may be obtained from the Secretary, Mr. W. J. Harris, Arden Road, Dorridge, Birmingham (post free 4d.).

**265.** Success at the Examination depends upon knowledge, accuracy, dexterity, and style. Reliable knowledge is only to be acquired by *methodical* and painstaking work, which alone can result in obtaining a *real grasp* of the principles and practice of accounts. The work done at a class which meets but once a week is insufficient to ensure a trustworthy acquaintance with the subject unless it is supplemented by considerable homework. Between the class meetings, in addition to preparing exercises, carefully study those portions of the textbook under review, and upon matters not thoroughly understood, write out questions for the teacher to answer at the following class. Practice answering questions *in writing*, as this cultivates precision, and impresses the mind more thoroughly than mere verbal answers.

**266.** Accuracy is only attainable by undivided attention, by concentration of mind upon the particular work in hand. Inaccuracies often arise through general slovenliness, bad figuring, and the desire to work too rapidly, the result being a waste of both time and energy. Many failures are attributable to arithmetical errors alone. While it is possible for the most precise book-keeper to make a mistake it is a well-known fact that those who are in the habit of committing errors are those who allow their minds to wander and their attention to be diverted to matters which do not concern the duty of the moment. Concentration and carefulness must be cultivated when dealing with figures and problems in accounts if accuracy is to be secured.

**267.** Dexterity in the manipulation of exercises and examination papers can only be achieved by *methodical*

and *persistent practice*. Fitful work is of little avail; excellent methods at least double one's capacity for dispatching work. Mere reading of the textbook is useless of itself in the solution of practical problems. It is possible to have a profound knowledge of the mechanism of a typewriter, and yet, by reason of not having operated the machine, be quite unable to type even a short letter. Book-keeping is not only a science—systematised knowledge, it is also an art—skill in using knowledge; and skill in accounts may only be acquired by *methodical and assiduous practice*. No student should enter himself for an examination unless he has worked numerous exercises in general Book-keeping, familiarising himself with recording all kinds of transactions, plus at least 5 (preferably 25) examination papers set by the particular examining body whose examination he is taking. This practice will enable the student to gauge the time necessary to devote to each part of the test paper when in the examination room.

**268.** Style is the topstone of excellence, the hallmark of the superior worker. Although the foundation may be well and truly laid it must not be forgotten that it is the elegant superstructure which reveals the master-mind; the delicate hand of the artist, who considers no detail too trivial to receive his concentrated attention. Without the inspiration of excellence there can be no real satisfaction and success. The desire to dispose of a great number of exercises must not be allowed to interfere with stylish work; *quality* always being more important than quantity. No subject lends itself more to the exercise of style, arrangement, display, and neatness, than Book-keeping. The various methods of setting out transactions in the books, as well as in the preparation of Trading and Profit & Loss A/cs. and B/S. should be carefully studied. A copy of one of the ample keys to the exam. papers of the Royal Society of Arts or the London Chamber of Commerce, by Mr. Arthur Fieldhouse, is a useful guide as to setting and style.

**269.** Never proceed to an examination without first having seen at least one previous paper and mastered

**the Instructions to Candidates.** Non-compliance with instructions has caused hundreds to fail who might otherwise have succeeded. Immediately on receipt of the examination paper carefully read through the "Instructions" to see whether there has been any alteration from those of previous years. At most examinations **specially ruled paper** and blotting paper are supplied to each candidate, and the time allowed for the working of the paper is usually three hours. **Do not** read through the *whole* of the paper at the beginning, as this is liable to lead to mental confusion, and sometimes to dismay. Avoid reading any *optional* questions, and at once commence answering one which is *compulsory*. Let your answers be clear, concise, and set out in style, following the order of the questions. Most papers consist of questions and exercises, the latter being always compulsory. **Read through each exercise or question before commencing its solution, and if necessary read it several times in order to *grasp* thoroughly its precise meaning.** Always work the easier exercise first, and thus make sure of a "pass." In the Royal Society of Arts, Stage II., exercise 2 should be disposed of at once, as its successful working affords some degree of confidence in the remainder of the work.

**270.** Most examiners now require practical expositions in preference to the antiquated method of journalising every transaction. The Journal should only be used for recording transactions *outside* the scope of the other subsidiary books. In Stage II. of the Society of Arts, Exercise 1 should always be worked so as to display a knowledge of modern business methods, and the greatest practical skill in the setting out of the various transactions in their proper subsidiary books. Whenever possible the **columnar** or **tabular** system of Book-keeping should be employed, even where there is only one item for each column. The exercise must be worked as though the candidate were actually engaged entering up the various books at the office desk; separate accounts being kept for stock, purchases, sales, returns inwards, returns outwards, carriage, wages,

salaries, discount, interest, insurance, rates and taxes, stationery, partners' drawings, &c., no Goods or P. & L. A/c. being opened. Trial balances should be composed of *balances* in preference to totals.

**271.** In preparing Trading and Profit & Loss A/cs., care must be taken to distinguish between the items which should appear in each; while the classification or grouping of the items, both in the accounts and in the B/S. must receive attention. A mere list of Profit and Loss items and Assets and Liabilities is not sufficient; they should be displayed and grouped in a businesslike manner, and for this purpose the sheets sold by the authors (*P.O. Box A. 27, Huddersfield*) of this textbook, at 1/1 per set will be found very helpful. Remember that a P. & L. A/c. is compiled for a given *period*; while a B/S. is a schedule of balances on a certain *date*. Study pages 247 to 257. When the exercise is in the form of a T.B. first of all check the casting and when not in such form prepare a T.B., as it facilitates the work. Should a doubtful point arise deal with it in some way, and address an explanatory footnote to the examiner. Intelligence is always appreciated.

**272.** While one is familiar with the ordinary Trial Balance, followed or preceded by the usual adjustment items and stock, the candidate must nevertheless be on the alert against unusual methods of stating facts. Sometimes the Final Stock is given as a Dr. Balance, having first been deducted from the Purchases, which are stated *net*; for instance, the Purchases may have totalled to £5000, and the Final Stock may be £600. In the Trial Balance these facts may be stated as *Purchases £4400, Stock £600*, the result being that in preparing the Trading A/c. care must be taken to *add the value of the Final Stock to the Purchases*.

Under Credit Balances in the T.B. there may be *Trading A/c. £2160*, thereby indicating that the Trading A/c. has been completed, showing on the *Dr. side*, opening Stock and Purchases (less returns), and on the *Cr. side*, Sales (less returns) and Final Stock. The

Credit balance of the Trading A/c. would, of course, require crediting to the P. & L. A/c., but the final Stock already having been credited, must only appear in the B/S.

Dr.	Trading A/c.	Cr.
1914 Jan 1	To Stock b/f	£ 2000
Dec. 31	" Purchases	5000
" "	" <i>BALANCE carried to P &amp; L A/c</i>	2160
		<u>£ 9160</u>
		<u>£ 9160</u>
		1914 Dec 31
	B; Sales	" STOCK c/f
		6600 3160

273. Occasionally, the Bad Debts are stated among the adjustment entries, instead of being included in the T.B., and when this is the case it is clear that the amount of the Bad Debts has not been credited to the Sundry Debtors, consequently the Bad Debts not only require debiting to the P. & L. A/c., but must also be deducted from the total of Sundry Debtors.

274. Be at your place in the examination room at least ten minutes before the time, so as to hear the regulations read and fill up the necessary form containing name, age, institution, &c. To rush into the room on the stroke of time interferes with that self-possession and calmness which is so necessary to success. Red ink should be used for ruling off totals, when time permits, but certainly not until the exercises have been completed. Should you have a few minutes to spare spend it in revising your work, as a medal or prize may depend upon some little improvement effected in that way.

275. Criticism of examination papers and of the peculiarities of examiners should be addressed to the examiners concerned, if at all, and not to the author of this work, who cannot reply to communications relative to the composition of papers over which he has no control. Copies of R.S.A. or L.G.C. Exam. Papers are 7d. each, post free, from Arthur Fieldhouse.

THE COLLEGE OF PRECEPTORS holds Preliminary, Junior and Senior Examinations in June and December of each year. The subject of Book-keeping cannot be taken alone, being one of the optional subjects required on taking the Certificate of the College. Further particulars may be had from the Secretary, Bloomsbury Square, London, W.C.

**College of Preceptors (Preliminary, Midsummer, 1913).**

1. In the form of Cash Book provided, after properly heading each column, enter the following transactions :—1913.

May 1.	Commenced business with a Capital in cash £5000	- -
" 2.	Paid into Bank .....	4500 -
" 5.	Bought Goods for Cash ... .....	300 7 6
" 9.	Bought Business Premises by Cheque .....	2000 -
" 12.	Advanced to Petty Cash .....	5 -
" 13.	Paid Fire Insurance Premium in Cash ...	3 10 -
" 16.	Cash Sales to date .....	178 12 6
" 23.	Drew for self ... .....	25 -
" 26.	Discounted at Bank Bill Receivable, £450; Dis. .... .....	9 10 -
" 30.	Paid Wages and Expenses in Cash .....	15 5 -
	Balance the book.	

2. Explain the meaning of any five of the following terms and abbreviations : B/R., Bank Deposit, F.O.B., Crossed Cheque, P/N., Ante-dating, Trade Discount, Cash Discount, C.I.F.

3. Journalise the following, post, balance, and close the Ledger :—On 1st May, 1913, Mark Mint had the following balances in his books :—Cash in hand £57 9 6, at Bank £433 10 -, Goods on hand £209 - 6, W. Ware (Cr.) £55. Capital A/c. to be calculated therefrom.

May 5.	Sold Goods to A. Adam for Cash .....	£27 9 6
" 6.	Paid into Bank .....	50 -
" 9.	Bought Goods of W. Ware .....	47 10 -
" 12.	Remitted W. Ware by chq. £100; Dis. allowed	2 10 -
" 15.	B. Binns bought Goods .....	87 5 6
" 16.	B. Binns returned g'ds, & was given cred. note	12 5 6
" 17.	Paid Wages to date .....	7 10 -
" 19.	B. Binns offered composition of 10s. in £, which was accepted. Cheque received .....	37 10 -
	Balance of his a/c. written off as a bad debt...	37 10 -
" 22.	Bought, at auction, 11 chests of Tea at 62s. per chest, for Cheque .....	
" 26.	Pd. carr. and other expenses thereon in cash	1 2 -
" 28.	Drew for Self, in Cash .....	5 -
" 29.	Goods .....	1 10 -
" 30.	Paid Expenses for month in Cash .....	8 5 9
	Stock on hand valued at £246 13 -.	

**College of Preceptors (Junior, Midsummer, 1913).**

1. Open the books with the usual Journal entries. 2. Write up the Cash, Bank and Discount entries in the form of Cash Book provided. (Note :—All receipts are at once paid into the Bank, and all payments are made by cheque, unless otherwise stated). 3. Enter the remaining transactions in the Purchases Book, Sales Book, and Journal. (Or, if you are unable to do this, use the Journal only). 4. Post all the entries to the Ledger.

5. Ascertain, by means of a Profit & Loss A/c., the net gain or loss for the period. 6. Compile a Balance Sheet. On May 1, 1913, A. H. Clark, cloth merchant, had the following Assets and Liabilities :—Cash in office £27 4 7, Cash at Bank £225 3 4, Business Premises (Leasehold) £800, Bills Receivable £400, C. Collins (Dr.) £75 9 8, Stock of Cloth £745 7 2, Bills Payable £200, S. Lord (Cr.) £382 10 7, Wages owing £10 2 6. Capital A/c. to be determined therefrom.

May 5. Sold 13 rolls of cloth, 72 yards each, to C. Collins, at 6s. 8d. per yard .. .... ..

" 6. Paid Wages owing, in cash .. .. .. ..	£10 2 6
" 8. Received Cheque £74 from C. Collins to settle his a/c. of last month .. .. .. ..	75 9 8
" 9. Bought 18 rolls of Beaver Cloth, 60 yds. each, from S. Lord, at 10s. 3d. per yard, and accepted his draft at 3 mos. in settlement	
" 10. Remitted S. Lord, by Cheque .. .. .. ..	200 - -
" 12. Retired B/P. due this day (at Bank) .. .. .. ..	200 - -
" 15. Sold for Cash, Cloth .. .. .. ..	212 4 2
" 19. C. Collins reported 2 bales of Cloth arrived damaged. Claimed on Rly. Co. .. .. .. ..	14 5 6
" 20. Sold to W. Corner 480 yards of blue serge at 4s. 1½d. per yard .. .. .. ..	
" 26. B/R. due this day met at Bank .. .. .. ..	250 - -
" 27. Drew Cheque for Wages for month .. .. .. ..	21 5 -
Paid Expenses, to date, in cash .. .. .. ..	7 2 1
" 29. Drew for self .. .. .. ..	20 - -
" 31. Received from Rly. Co. .. .. .. ..	14 5 6
Stock on hand valued at £787 13 ..	

7. What is petty cash? How is it usually dealt with, and what is meant by the Imprest system? 8. What is the difference between a Promissory Note and an Acceptance? What is the rate of stamp duty on Bills of Exchange? 9. Explain the meaning of any four of the following : Ante-dating, C.I.F., Bill Dis-honoured, Special Crossing, Trade Discount, Goodwill.

#### College of Preceptors (*Senior, Midsummer, 1913*).

- Explain the meaning of the following terms :—Preference Share, Cumulative Preference Share, Ordinary Share, Nominal Capital, Calls paid in advance.
- On January 1, 1913, R. Rason owed W. Waite £125, and on Feb. 1 he was adjudicated bankrupt. His estate yielded a first dividend of 4s. 7d. in the £ on May 1 and a second and final dividend of 2s. 1d. in the £ on June 4. Show how the above transactions appear in W. Waite's books.
- On January 31, 1913, G. Dean buys from Keay & Co. 300 tons of coal at 8s. 3d. per ton at the pit mouth, and the next day hands them a cheque in payment less 2½% discount (allowed). On 5th Feb. he pays in cash 1s. 2d. per ton for carriage by rail and 9d. per ton for cartage to his yard. On Feb. 14, he sells all the coal to Wood & Co.,

Leeds, at 12s. 6d. per ton, for which they accept his draft at 3 months, dated Feb. 17, payable at the London Bank, Ltd., Leeds, which is duly met at maturity. Journalise the above transactions in G. Dean's books. Show by means of a ledger a/c, what profit or loss he made on the deal, after charging 10% on the prime cost of the coal for miscellaneous expenses. 4. Draw the bill of exchange referred to in the preceding question, showing the value of the stamp thereon.

5. From the following prepare the Trading A/c., P. & L. A/c., and B/S. of Messrs. G. A. Smith and H. A. Smith, on equal terms, for the year ended April 30, 1913. (a) Allow 5% per annum Interest on Capital Accounts; (b) Write off Depreciation (i) 5% off Leasehold Premises, (ii) 10% off Machinery and Plant; (c) Make a provision of 5% on Sundry Debtors for Bad and Doubtful Debts; (d) Carry forward £25 of the Fire Insurance Premium to the following year. Stock on April 30th, 1913, valued at £10900.

**Dr. Balances—**

Drawings A/c. (including int)	
G. A. S. .... .. .	£1045
Drawings A/c. (including int)	
H. A. S. . .... .. .	1040
Purchases .....	15225
Trade Expenses ...	1470
Sundry Debtors	13420
Bills Receivable	200
Leasehold Premises ..	6100
Fire Insurance Premium ..	50
Rent, Rates, and Taxes	804
Carriage (Inwards) .. .	2958
Wages .. . .	9122
Stock, 1st May, 1912 . . .	10429

**Dr. Balances continued—**

Interest and Discounts .....	£275
Bad Debts . . . . .	135
Cash . . . . .	71
Bank . . . . .	1515
Salaries . . . . .	750
Machinery and Plant .....	7400
<b>Cr. Balances—</b>	
Capital A/c.—G. A. Smith.....	8500
Capital A/c.—H. A. Smith....	8000
Bills Payable .....	785
Sundry Creditors .....	14890
Loan A/c. (S. Lottery) .. .	3000
Returns Outwards .. .	525
Sales . . . . .	36300

**College of Preceptors (Preliminary, Xmas, 1913):**

1. In the form of Cash Book provided, after properly heading each column, enter the following transactions :—1913.

Nov. 24. Balance of Cash in Office .....	£71 . .
„ 24. Do. do. at Bank .....	362 12 6
„ 25. Received Cheque from L. Lee and pd. it into Bank .....	50 - -
„ 25. Paid M. Muir by Cheque, £105; Discount allowed .....	1 13 6
„ 26. Drew from Bank for Office use .....	25 - -
„ 26. Do. do. self .....	10 - -
„ 27. Met Bill payable due this day at Bank .....	250 - -
„ 27. L. Lee's Cheque returned dishonoured .....	50 - -
„ 28. Bought for Cash, Goods .....	83 4 2
„ 28. Sold Goods and paid proceeds into Bank ...	127 7 5
„ 29. Paid in Cash wages and expenses for week ...	7 5 10

2. Explain the meaning of not more than five of the following terms :—Gross Profit, Net Profit, Discount, Salaries and Wages, Debit, Credit, Interest on Capital. 3. Journalise the following, post, balance and close the Ledger :—On October 1st, 1913, Isaac

Israels had the following balances in his books:—Cash in hand £83 7 6, Overdraft at Bank £294, Goods in stock £753 10 6, M. Moses (Dr.) £84 2 -, J. Joel (Cr.) £127. Capital A/c. to be calculated therefrom.

Oct. 3.	Sold Goods to M. Moses for Cash	£215	- -
,, 6.	Bought Goods of J. Joel .....	94 7 10	
,, 7.	Paid into Bank .....	200	- -
,, 10.	M. Moses returned Goods as not to quality	16 2	-
,, 13.	Sold same by auction, receiving Cash (net)...	13 8	-
,, 15.	Paid into business extra Capital .....	400	- -
,, 16.	Paid J. Joel .....	216	-
	Being allowed Discount .....	5 7 10	
,, 22.	Drew for self, in Cash .....	10	- -
,, 23.	Goods .....	5 5	-
,, 25.	M. Moses, becoming bankrupt, recd. a first and final dividend of 13s. 4d. in £, paid into Bank .....	45 6 8	
	Bal. of his A/c. written off as a Bad Debt.	13 4 6	
,, 28.	Pd. Wages and Trade Exs. to date in Cash	130 1	-
,, 29.	Sold to S. Solomons, 17 cases of Goods at £7 13s. per case .....	5 1	-
,, 30.	Received Cheque for same, less Discount <i>Stock on hand valued at £550 6 .</i>		

#### College of Preceptors (*Junior, Xmas, 1913*).

- Open the books with the usual Journal entries.
- Write up the Cash, Bank and Discount entries in the form of Cash Book provided. (*Note*.—All receipts are at once paid into the Bank, and all payments are paid by cheque, unless otherwise stated).
- Enter the remaining transactions in the Purchases Book, Sales Book, and Journal. (*Or*, if you are unable to do this, use the Journal only).
- Post all the entries to the Ledger.
- Ascertain, by means of a P. & L. A/c., the net gain or loss for the period.
- Compile a B/S. On Nov. 1, 1913, F. Fairmaner bought the business of C. Coulton, paying him (by cheque) £1100, being £600 for stock of Oil, £150 for Fittings and Fixtures, £350 for the following book debts, guaranteed as good:—K. Kelly, £87 12 6; C. Clark, £103 7 6; B. Blake, £59; and for Goodwill.

Nov. 1.	Opened an a/c. at the National Bank, Ltd. £2000	- -	
,, 1.	Paid C. Coulton on a/c. of business pur- chase, as above .....	1100	- -
,, 3.	Advanced to Office Cash .....	50	- -
,, 5.	Sold K. Kelly 500 gallons Petrol at 1s. 8d.		
,, 7.	Bought of Fine Oil Co., Ltd., 10,000 gallons Paraffin at 8d. per gallon, paying on a/c.	100	- -
	Accepted their draft at 3 mos. for balance		
,, 11.	Received Cheque from C. Clark .....	103 7 6	
,, 13.	Sold B. Blake 2000 gals. of Mixed Oils for	105	- -

Nov. 14.	Clark's cheque returned dishonoured (notified Coulton) .....	£103 7 6
„ 19.	C. Coulton paid on a/c. of Clark .....	103 7 6
„ 21.	Received from B. Blake P/N. ....	164 - -
„ 22.	Discounted same at Bank, receiving ... ....	161 10 -
„ 25.	Drew for self in Cash .....	10 - -
„ 27.	Cash Sales to date—proceeds banked .. ...	153 13 -
„ 28.	Paid Wages and Expenses, to date ... ....	27 4 6
„ 29.	Rent accrued to date (one month at £168 per annum) .. . . . .	14 - -
	<i>Stock of Oils on hand valued at £633 - 4.</i>	

7. Explain the meaning of not more than four of the following terms: Insolvent, Liabilities, Credit Note, Debit Note, Impersonal Account, Voucher.

8. What is a Bank Pass Book? Does its balance on a certain date always agree with the bank balance as shown in the Cash Book of the firm? If not, what are the usual causes of the difference?

#### College of Preceptors (*Senior, Xmas, 1913*).

1. Show how the following transactions would appear in the Journal of Boyd, Leek, & Co.:—On Sep. 1, 1913, they shipped Goods to S. Sauer, their agent in Cape Town, and sent therewith a *pro forma* invoice for £1036 (Goods £1,000, Freight £70, Insurance £26). On the same day they paid the freight and insurance. On Oct. 29. they received from S. Sauer an Account Sales, showing that he had sold part of the consignment for £750; and, deducting his expenses and commission, £45, he enclosed a draft at 3 months for the balance. On Nov. 17, they received another A/S. showing that the remainder of the consignment had realised £480, which, less £23 expenses and commission, Sauer remitted by a 3 months' draft, as before. Draw up the Ledger a/c. of the consignment referred to in the foregoing question, and show the net gain or loss through the transaction.

2. On Sep. 1, 1913. A. B. Cole paid £5000 into his Bank as commencing capital, and on the same day purchased the business of B. Williams for the sum of £4000, of which he paid £3000 down and gave a bill at three months for the balance. The assets and liabilities acquired were as follows:—Debtors, £1723 12s. 6d.; Creditors, £875; Bills Receivable. £800; Bills Payable. £1000; Rent, wages, &c., due, £50 10s.; Insurance and rates paid in advance, £14 10s.; Fixtures and Fittings, £125; Motor Delivery Vans, £700; Stock of Goods, £2403 5s.; Stock of Stationery, £15 2s. 6d. Make the necessary opening entries in A. B. Cole's Journal.

3. On Dec. 1, 1913, Baker & Baker drew a bill on Lodge, Duff & Co. for £1550 at three months. This was duly accepted, payable at the National Safe Bank, Ltd., Head Office. Show the

above Bill as it would appear after acceptance, giving the value of the stamp thereon and the due date. 4. Explain the meaning of not more than four of the following terms :—Sinking Fund, Reserve Fund, issued and paid up Capital, forfeited shares, reserve for discounts, reserve for bad debts, mortgage.

5. From the following prepare the Trading A/c., P. & L. A/c., and B/S., of Messrs. C. Chalmers and H. Hodgson, on equal terms, for the year ended Sep. 30, 1913. (a) Allow 5% per annum Interest on Capital a/cs.; (b) Charge 6% Depreciation of Machinery and Plant; (c) Make a provision of 5% on Sundry Debtors for Bad and Doubtful Debts; (d) Rent £24 and Taxes £15 were owing and must be passed through the a/cs. Stock on Sept. 30th, 1913, was valued at £2355.

**Dr. Balances—**

C. Chalmers Drawings (& Int.)	£520
H. Hodgson's Drawings (& Int.)	300
Plant & Machinery	700
Stock, Oct. 1, 1912	1050
Carriage Inwards	250
Carriage Outwards	100
Wages, Manufacturing	1800
Salaries (of Office)	450
Purchases	5670
Returns Inwards	225
Rent, Rates, Taxes & Insurance	365
Coal, Coke, Gas & Water	425
Discount Allowed	300
Bad Debts written off	250

**Dr. Balances continued—**

Debtors	£8240
Bills Receivable	2500
Bank	1020
Cash	175/10/-
Insurance Stamps	4/10/-

**Cr. Balances—**

Chalmers' Cap. 1/10/12	4000
Hodgson's Cap. 1/10/12	2000
Sales	8390
Returns Outwards	350
Discounts Received	255
Bad Debts Res. 1/10/12	400
Creditors	7350
Bills Payable	1600

The OXFORD LOCAL EXAMINATIONS are held in July and December in each year, Book-keeping, which cannot be taken alone, being one of the optional subjects. The same paper was formerly set for both "Junior" and "Senior," but they are now quite different. "Juniors" and "Seniors" are both examined in July, but only the "Seniors" in December. Further particulars may be had from the Secretary, Local Examination Offices, Merton Street, Oxford.

**Oxford Local (Junior and Senior, July, 1907).**

On 1st Jan., 1906, I had a balance at my Bankers of £1250. I purchase a business for £1000, paying £500 by cheque and giving Bill at six months for balance. The purchase price is made up as follows :—Goodwill £600; Plant £250; Stock £150. The following are details of my sales and purchases for quarter ending 31st March :—Sales to :—Jan. 13. J. W. Potter £88 10 - ; Jan. 27. F. Bullock £205 12 6; Feb. 19. Bond & Co. £565 2 2; Cash Sales for quarter £277 10 -. On 3rd March F. Bullock returned goods value £55, there being a mistake in the order. Purchases from :—Jan. 2. H. Perry £228 9 2; Jan. 31. J. H. Gardiner £100 8 4; Feb. 23. Dance & Co. £96 8 2; Mar. 21. H. Perry £215 12 6d. Enter in Journal and Cash Book, post, take out T.B., prepare P. & L. A/c. and B/S.

Jan.	1.	Paid on a/c. purchase of business .....	£500 -
"	3.	Drew Cheque for Petty Cash .....	25 -
"	9.	Paid H. Perry by Cheque .....	228 9 2
"	14.	Paid Carriage on goods by Cash .....	3 12 -
"	16.	Recd. of Potter & Co., by Cheq. £86 5 6; Dis.	2 4 6
"	28.	Received from F. Bullock by Cheque .....	150 12 6
"	31.	Paid Wages by Cheque .....	84 8 -
		Paid into Bank for Cash Sales for month ...	66 10 -
Feb.	20.	Received from Bond & Co., by Cheque .....	565 2 2
"	28.	Paid Sundry small Repairs to Plant by Cash	8 -
"	29.	Paid Wages by Cheque .....	84 8 -
"	29.	Paid into Bank for Cash Sales for month ...	80 12 6
Mar.	24.	Paid H. Perry by Cheque .....	215 12 6
"	25.	Paid Rent for Quarter by Cheque .....	20 -
"	31.	Paid Wages by Cheque .....	84 8 -
"	31.	Paid into Bank for Cash Sales .....	130 7 6
		Paid Petty Expenses for Quarter .....	6 15 4

*Stock on hand £77 19 4.*

*Oxford Local (Junior and Senior, July, 1905).*

On 1st Jan., J. Reynold and C. Thompson enter into partnership. Their Capital is £750 and £500 respectively, which is placed to the Firm's credit at the Bank. They purchase the Lease of premises from Messrs. Salter for £150, paying £50 by cheque and giving a Bill at one month for the balance. Enter in Cash Book and Journal, post and prepare T.B., P. & L. A/c. and B/S. Write off £5 from Lease and 5% Depreciation off Plant, Fittings, &c.

Jan.	1.	Purchased Goods from : Chamberlain & Co. £270 10 6; Foster Bros. £80 8 -; R. Ferris £144 12 -; Brown & Son ...	£101 9 6
"	3.	Pd. Sewell & Co., Cheq. for fitting premises	80 10 -
"	5.	Purchsed Motor Waggon, paid by Cheque... Drawn from Bank for Petty Expenses .....	320 -
"	12.	Paid Chamberlain & Co. by Cheque .....	60 -
"	20.	Paid Foster Bros. by Cheque .....	100 -
"	24.	Paid into Bank Cheque received from Mr. Roberts for Sales to him .....	80 8 -
"	27.	Paid R. Ferris Cheque £140 19 8; Discount	144 12 6
"	31.	Paid Wages for month by Cash .....	3 12 4
		Cash Sales for month .....	24 10 -
Feb.	2.	Purchased Goods from Chamberlain & Co. £323 2 6; from Brown & Son .....	155 7 6
"	4.	Messrs. Salter's Bill duly met .....	326 17 6
"	12.	Paid Brown & Son by Cheque .....	104 9 6
"	16.	Paid Chamberlain & Co. by Cheque .....	170 10 6
"	28.	Drawn from Bank for Petty Expenses .....	60 -
		Paid Wages for month by Cash .....	25 10 -
		Paid into Bank, being Cash Sales for month	460 -

Mar. 2.	Sold Goods to Mr. Roberts ...	£125	-
,, 3.	Purchased Goods from Chamberlain & Co. £260 10 - ; from Foster Bros. ....	119 10	-
,, 24.	Recd. of Mr. Roberts Cheque £118 15 -, Dis.	6 5	-
,, 31.	Paid Rent for Quarter by Cash .....	25	-
	Paid Wages for month by Cash .....	25 10	
	Paid into Bank, being Cash Sales for month	441	-
	Paid Petty Expenses for Quarter by Cash ...	111 10	-

The sum of £40 5 - was owing by customers at the end of Quarter for Sales. Stock on hand £628 8 2.

### Oxford Local (*Junior and Senior, July, 1912*).

On Jan. 1, 1909, my Capital was £2000 in Cash, in the London and South Western Bank. On January 5 I paid Smith & Co. £1000 for the business of Smith & Co., Wine Merchants, as a going concern. The Assets and Liabilities I took over were as follows :—Stock in hand £500, Sundry Debtors £250, Bills Receivable £750, Fixed and Movable Plant £500, Trade Creditors £300, Bills Payable £700. Make the necessary Journal Entries to bring the above opening Balances into the Cash Book or Ledger as the case may be. (a) Write up all Cash and Bank transactions in Cash Book showing Cash, Bank, and Discount Columns. (b) Journalise all other entries to their respective Accounts. (c) Prepare Trial Balance. Transactions ending March 31, 1909 :—

Bought Goods from Gonzalez ..... £200	Payments from Bank :—
" Xeris & Cie... 130	To Office ..... £50
" Pedro et fils... 300	To Bills Payable ..... 700
" Xipante .... 190	To Creditors ..... 300
Sold Goods to General Stores, Ltd. 300	Gonzalez ..... 190
" A. Bowen & Son . 200	Discount allowed ..... 10
" Smith, Johnson & Co. 300	Pedro et fils ..... 10
" T. Brown & Sons .. 400	Discount allowed ..... 20
" Corinth & Co. . 100	Rent of Offices, &c. ..... 20
Received Cash at Bank :—	Lighting ..... 50
Bills Receivable ..... 750	Insurance ..... 10
From Office ..... 45	Payments from Cash :—
Sundry Debtors ..... 250	Wages ..... 45
Corinth & Co. .... 95	Office Expenses ..... 10
Discount allowed ..... 5	To Bank ..... 45
Smith, Johnson & Co ..... 290	Received Bill Receivable from :—
Discount allowed ..... 10	T. Brown & Sons ..... 400
Cash received at Office ..... 50	Gave Bill Payable to :—
Cash Sales ..... 50	Xipante ..... 190
From Bank ..... 50	Stock at March 31st was £570.

### Oxford Local (*Junior, July, 1913*).

- Enter the following transactions through their appropriate books.
- Post to Ledger.
- Take out Trial Balance.
- Prepare P. & L. A/c. and B/S. The Balance Sheet of Robert Seymour on 1st Jan., 1911, was as follows :—Liabilities : Wilson Graham £80, Herbert Wilson £260, Capital A/c. £3397. Assets : Thomas Gurney £65, A. h Simpson £277, Fred H. Lowe, £7

Cash in hand £40, Cash at Bank £650, Office Furniture & Fittings £115, Stock £1875. (*All Cheques received were paid into Bank same day*).

Jan. 2.	Purchased Goods from H. Wilson .....	£215	-	-
	Returned Goods to H. Wilson .....	7 10	-	-
	Sold Goods to T. Gurney .....	45 15	-	-
,, 3.	Received Cheque from Gurney £61 15; Dis. ....	3 5	-	-
,, 5.	Cash Sales .....	45	-	-
,, 7.	A. Simpson becomes a bankrupt and pays a first and final dividend of 10/- in the £. Recd. Cheque .....	138 10	-	-
,, 9.	Sold Goods to T. Gurney ....	67 10	-	-
,, 13.	Sold Goods to F. H. Lowe . ....	515	-	-
,, 14.	Received Cheque from Lowe, £700; Dis. ....	15	-	-
,, 17.	Paid H. Wilson by cheque, £247: Discount	13	-	-
,, 18.	Paid Cash into Bank ... ..	50	-	-
	Withdrew from Bank for private use .....	20	-	-
,, 21.	Bought Office Furniture from Johnson & Co.	21	-	-
,, 28.	Cash Sales .. .... . .... . ....	51 16	-	-
,, 30.	Paid Cash into Bank ... ..	30	-	-
	Paid Cash Trade Expenses and Wages .....	45	-	-
	<i>Goods on hand £1650.</i>			

### Oxford Local (*Senior, July, 1913*).

1. Enter the following transactions through their appropriate books. 2. Post to Ledger. 3. Take out Trial Balance. 4. Prepare P. & L. A/c. and B/S. On the 1st Jan., 1913, Henry Thompson commenced business with the following balances:—  
*Assets*: Cash in hand £45 11 6, Cash at Bank £650 10 3, Stock-in-Trade £575 - -, Sundry Debtors: Thomas Wade £156 1 3, James Wilde, £104 12 6, Henry Brown, £50, Freehold Buildings, £1000, Fixtures & Fittings, £150. *Liabilities*:—Sundry Creditors: Harry Martin, £425, Alec Taylor, £116 5 9, Willson & Co., £146 16 8 Capital A/c., £2043 13 1.

Jan. 1.	Accepted H. Martin's draft at 1 mo. for his account less £10 12s. 6d. discount .....			
,, 2.	Bought Goods from H. Martin .....	£262 11	9	
,, 3.	Sold Goods to James Wilde .... ..	105	7	6
,, 4.	Recd. from J. Wilde Bill at three months in full settlement of his account to date .....	210	-	-
,, 5.	Drew cheque for wages .....	25	-	-
,, 7.	Paid A. Taylor by Cheque to close account	110	-	-
,, 9.	Henry Brown fails and pays a first and final dividend of 10s. in the £, received cash...	25	-	-
,, 10.	Sold Goods to Samuel Johnson .....	45 10	-	-
,, 12.	Drew Cheque for Wages .....	25	-	-
,, 15.	Cash Sales .....	115	5	5
,, 16.	Thompson withdraws from Bank for private purposes .. .... . ....	50	-	-
,, 17.	Paid Cash into Bank .....	85	-	-

Jan. 19.	Drew Cheque for Wages .....	£25 . .
,, 21.	Sold Goods to S. Simpson .....	56 10 .
,, 22.	Received Simpson's Cheque; paid into Bank same day .....	56 10 .
,, 25.	Cheque from Simpson returned from Bank dishonoured .....	
,, 26.	Drew Cheque for Wages .....	25 . .
,, 28.	Bought Goods from Arthur Spain .....	25 19 6
,, 29.	Paid Willson & Co., Cheque on account .....	100 . .
,, 30.	Paid from Cash Stamps and Sundry Trade Expenses .....	15 4 3
,, 31.	Cash Sales .....	120 10 9
	Credit Interest on Capital at 5% per annum	
	Depreciate Fixtures & Fittings at 5% p.a.	
	Stock on hand £625.	

The CAMBRIDGE LOCAL EXAMINATIONS are held in July and December in each year, Book-keeping, which cannot be taken alone, being one of the optional subjects. Two "Junior" and two "Senior" Papers are set on successive days. Further particulars may be had from the *Secretary, Local Examinations, Syndicate Buildings, Cambridge.*

#### Cambridge Local (Junior, July, 1909).

1. On 1st May, 1909, my books showed the following balances:—Creditors in A/c.: C. Deeler £321 10 6; H. Deeler £95; Debtor in A/c.: O. Johnston £37 15 6; Stock of Sheep £487 10 6; Balance at Bank £291 3 4; Stock of Cattle £537 10 .; B/R. £250. Journalise, post, prepare T.B., P. & L. A/c., and B/S. Make Closing Entries. *All payments are made by cheque, and all amounts received are paid into the Bank upon receipt. Keep separate A/cs. for Sheep and Cattle.*

May. 1.	Settled C. Deeler's A/c. as follows: accepted his Draft at 1 month for £150, gave him B/R. (No. 3) for £100, and my cheque for the remainder £71 10 6 .....	£321 10 6
,, 8.	Bought Cattle from H. Deeler .....	87 5 6
	Bought Sheep from C. Deeler .....	51 . .
	Bought at Auction, paying by Cheque, Cattle £43 7 0, Sheep £94 17 3 .....	138 4 9
,, 22.	Sold O. Johnston, Sheep, £110 17 7, Cattle... ..	66 10 .
,, 31.	Cash Sales during month: Sheep £135 10, Cattle .....	127 10 .
	My acceptance to C. Deeler paid by Bank... ..	150 . .
	Paid Wages and Expenses for month .....	31 17 3
	Stock of Cattle £570, Sheep £310.	

2. On 15th Feb. I dispatched Goods valued at £219 10 . to A. Train & Sons, Calentta, to be sold by them on commission. Freight cost me £4 13 10, Dock Dues £1 19 3, Insurance £2 15 ., and Cartage 15s. 6d. On 23rd June I received from Messrs. Train & Sons Account Sales with Cheque for £240 13 4, the

balance due to me after deducting their expenses and commission. Make the Journal entries to record these transactions, and to show the resulting profit or loss.

*Cambridge Local (Senior, July, 1909).*

Jones and Robinson commence business, Jones supplying £2000 capital, and Robinson £1500. By the agreement between them : (1) The profit or loss is to be ascertained at the end of the year; (2) 10% of the net profit is to be placed in a Reserve Fund, against which Bad Debts and other accidental losses are to be debited. Jones, who acts as manager, is to receive two-thirds of the remainder, and Robinson one third. On 30th Nov., 1908, the Ledger of the firm shows the following balances : Dr. Balances :—Philipson & Co. £227; Armstrong & Co. £134; Purchases of Stock £2665; B/R. £350; Cash at Bank £504; Wages £573; Plant £1890. Cr. Balances :—Jones' Capital A/c. £2000; Robinson's Cap. A/c. £1500; Bird & Co. £295; Jenkins & Co. £179; Sales of Stock £2279. Enter, post, prepare T.B., P. & L. A/c. and B/S. All payments are made by cheque, and all receipts paid into bank.

Dec 3.	Sold Goods for Cash .....	£167
,, 5.	Paid Jenkins & Co. £100 on account .....	100
,, 7.	Armstrong & Co. pay a composition of 10/- in the £, the remainder of their a/c. being written off.	
,, 8.	Sold Goods to Philipson & Co. ....	48
,, 10.	Philipson & Co. accept a draft for £200 .....	200
,, 12.	Accepted Bird & Co.'s draft for £200 .....	200
,, 14.	Sold Goods for Cash .....	173
,, 17.	Goods to the value of £20 stolen during the night	
,, 19.	£15 worth of the stolen goods recovered, the remainder are considered irrecoverable. Write off.	
,, 21.	Sold Goods for Cash .....	73
,, 23.	Bought Goods from Jenkins & Co. ....	95
,, 31.	Paid Wages .....	55
	Stock in hand £1537.	

*Cambridge Local (Junior, December, 1913).*

1. At the end of July, 1913, my books shewed the following balances : Bank overdraft £14 10s.; B/R. £75; B/P. £150; R. Richardson owes me £350; I owe F. Howe £25 and P. Watson £76 10s.; Goods in hand £1603 15s. Journalise all transactions, post, prepare T.B., P. & L. A/c., and B/S. Journalise transfers to P. & L. A/c. All payments are made by cheque, and all amounts received are paid into Bank upon receipt.

Aug. 1.	Bought Goods from P. Watson .....	£127 5 -
,, 2.	Received a Cheque in payment of an old a/c. previously written off as a bad debt...	23 15 -
,, 5.	Returned Goods (invoiced at £17) to P. Watson, the same not being of the quality ordered .....	17 - -
,, 6.	Sold Goods to various customers for Cash	74 - -

Aug. 8.	B/R. for £75 (received from G. Barker) was dishonoured .....	£75	.
" 11.	Paid noting charge for same ..... ....	. 2	6
" 16.	Received R. Richardson's acceptance for Together with Cheq. for £147, allowed Dis.	200	.
" 19.	Drew for Personal Expenses .....	3	.
" 22.	B/P. No. 1 for £100 matured and was met at Bank. ....	12	.
" 25.	G. Barker paid a first and final dividend of 13s. 4d. in the £ Recd. £50 18 Wrote off Balance as bad	100	.
" 27.	Paid F. Howe £24 7 6, Discount allowed	12	6
" 30.	Paid Rent £10 Paid Wages . . . . . Stock in hand £901	8 10	.

2. In the P. & L. A/c. in my Ledger I find the following entries, each of which carefully explain --

Dr.	Cr
1913   Oct 31 To Trade Expenses 103 4   1913   By Goods 215 10	£ s d
" " " Capital 151 11   .   Discount 12 5	£ s d

Cambridge Local (Junior, December, 1913)

1. At the end of Oct., 1913, my books showed the following balances: Overdraft at Bank £10, Creditor, A. Morgan £230, Debtors, C. Burnaby £364, and D. Read £84, Bills Payable £125, Bills Receivable £200, Goods £1124 10s. Journalise all transactions, post, prepare T.B., P. & L. A/c., and B/S. Journalise transfers to P. & L. A/c. All payments are made by cheque, and all amounts received are paid into the bank upon receipt.

Nov. 1.	Bought Goods from F. Benson .....	£94 7	.
" 3.	Drew for Personal Expenses ..	10	.
" 7.	C. Burnaby sent cheque for £164, and accepted draft for .....	200	.
	Sent back to F. Benson Goods damaged in transit invoiced at .....	16 3	.
" 10.	Accepted A. Morgan's draft for ...	230	.
" 13.	B/P. (No. 1) matured and was met at Bank	100	.
" 17.	Sold Goods to A. Morgan .....	415	.
" 18.	Sundry Cash Sales .....	105 12	.
" 22.	Discounted B/R (No. 1) for £50, the Bank allowing me .....	148 16	.
" 26.	Bought Goods from F. Benson .....	366 10	.
" 27.	D. Read, having failed, paid his creditors 12s. 6d. in the £, wrote off the balance of his account as a Bad Debt .....	52 10	.
" 28.	B/R. (No. 2) for £25 became due and was paid into my Bank .....	25	.
" 29.	Paid Wages, £10. Paid Trade Expenses . . . . . Stock in hand £1183 12s.	13 10	.

2. I find the following entries in my Ledger, each of which carefully explain.

Dr.	CAPITAL.	Cr.
1913. Sept. 30.	By Profit and Loss .....	£234 . .
Dr.	D. JONES.	Cr.
1913. Oct. 18.	By Bank ..... . . . .	£125 . .
" ,	, Bad Debts ..... . . . .	75 . .
Dr.	DISCOUNT.	Cr.
1913. Oct. 25.	By T. Snooks .....	£610 .

*Cambridge Local (Senior, December, 1913).*

Messrs. Carver and Wood are in equal partnership. Carver may draw on current account any sum not exceeding £100 per quarter; and Wood as manager has a salary of £900 a year. 10% to be written off the value of the Plant and Machinery. All payments are made by cheque, and all amounts received are paid into the bank upon receipt. Post the opening balances direct to the Ledger, and enter the transactions in proper order. Prepare T.B., P. & L. A/c., and B/S. On 1st March, 1913, the firm brought forward Dr. Balances :—Stock of Furniture (on 1 April, 1912) £4375; Stock of Mahogany (on 1 April, 1912) £850; Carver, Current A/c. £350; Plant & Machinery £3420; Purchases £1237; Rent (11 months) £440; Productive Wages £2415; Trade Expenses £1735; Salary £825; Cr. Balances :—Bank (a/c. overdrawn) £137; Carver, Capital A/c. £8000; Wood, Capital A/c. £4540; Wood, Current A/c. £225; Sales £4745.

Mar. 3.	Sold Furniture—for Cash, £285; to Sundry Drs.	£537
,, 7.	Fire in warehouse: Furniture (fully insured) destroyed valued at .....	390
,, 11.	Sundry Debtors paid .....	420
,, 15.	Bought Mahogany at auction for Cash £317, and of Adams & Co. .....	585
,, 18.	Received from Fire Insurance Co. on account of Furniture destroyed by fire .....	390
,, 19.	Accepted Messrs. Adams & Co.'s Draft at 2 mos.	555
,, 22.	Sold Furniture for £835, recd. in exchange B/R. and booked the rest to Sundry Debtors .....	400
,, 31.	Productive Wages. £450. Paid Trade Exs. .... Due but not paid Rent £40, Salary £75 .....	435
	<i>Value of Stock: Mahogany £1200, Furniture £5912.</i>	150
		115

*Cambridge Local (Senior, December, 1913).*

Messrs. Schneider and Schramm are in partnership, sharing profits or losses in proportions of five-eighths to the former and three-eighths to the latter. (1) Reserve for Bad Debts to be increased by the addition of 8% of the value of the Book Debts outstanding, bad debts being debited against this Reserve as

they occur. (2) 8% to be written off the value of lease. All payments are made by cheque, and all amounts received are paid into the bank upon receipt. Post the opening balances direct to the Ledger, and enter the transactions in proper order. Prepare T.B., P. & L. A/c. and B/S. On 1st March, 1913, the firm brought forward the following Dr. Balances:—Lease £1250; Stock of Cloth and Clothes on 1st April, 1912, £683; Purchases £450; B/R. £100; Sundry Debtors, £197; Bank £133; Discount £33; Trade Expenses £515. Cr. Balances.—Bad Debts Reserve £58; Ariston Cloth Co. £311; Sales £1183; B/P. £85; Schneider £1074; Schiramm £650.

Mar. 3.	Sold to Sundry Debtors Suits to order .....	£62	-	-
	Sold Ready-made Clothes for Cash . . . . .	49	-	-
,, 4.	Bought Cloth of Ariston Cloth Co. .... .	89	-	-
	And accepted their draft at 2 mos. for ...	280	-	-
,, 7.	A. Debtor, from whose account £19 had been written as irrecoverable, pd this sum in full	19	-	-
,, 11.	B/R. for £100, drawn by the firm on S. Tweed, matured and was dishonoured. Noting Charge paid on same .....	2	6	
,, 14.	Tweed sent his Cheque for .. . . . .	100	2	6
,, 22.	Sundry Debtors paid £95; Dis. allowed £2	97	-	-
,, 22.	B/P. for £85 matured and was paid by Bank	85	-	-
,, 29.	Sold Ready-made Suits for Cash .. . . . .	23	-	-
	Sold ditto to order of Sundry Debtors .. . . . .	63	-	-
,, 31.	Pd. all Trade Expenses for month of March	65	-	-
	<i>Value of Stock (Cloth and Clothes) £1116.</i>			

#### West Riding County Council (*Intermediate, 1907*).

Journal	Returns	Outwards	Bk.	Bought	Ledger
Sales Day Book	Cash Book			Impersonal	Ledger
Returns Inwards Book	Sales Ledger.			Private	Ledger.
Purchases Day Book					

Open the Books of William Barker, Manufacturer, on 1st March, 1907, in accordance with the following particulars:— Due to Bank £69 14s. 8d., Stock £495 1s. 2d., Machinery £880, Motor Delivery Van £250, Due from Ward & Sons £108 9s. 6d., Due to James Arnold £44 3s. 9d., Bill Payable (Fryston & Co.) £65, A. Jones owes a disputed debt estimated to realise £3. Record the transactions and close the books showing P. & L. A/c. and B/S. The INVOICES sent out for goods sold were:—

Mar. 5.	Ward & Sons, 69 Wall Street, Wilton, 10 Gross Mixed Fancies @ 23s. 6d. per doz.; 54 doz. Best White Fancies @ 25s. per doz.; per own van.
,, 21.	Briggs & Co., Ltd., 32 City Court, Crompton, 210 doz. Double Fancies @ 36s. 6d. per doz.; 4 only blue Fancies @ 44s. 6d. per doz.; packing case 5s.; per G.N.R. carriage forward.

The CREDIT NOTES sent out were :—

- Mar. 8. Ward & Sons, Overcharge on 54 doz. Best White Fancies @ 2s. 6d. per doz.  
 „ 27. Briggs & Co., Ltd., 1 packing case returned 5s.

The PURCHASES were :—

- Mar. 9. Jas. Arnold, Raw Material, £124 9s. 1d.  
 „ 14. The Well Stores, Ltd., Coal £10 11s. 8d.; Machinery Repairs £12 14s. 6d.; Patent Stoking Apparatus £55.  
 „ 23. The Well Stores, Ltd., Extra Tyre for Motor Van £5 5s.; Repairing Motor Van £8 19s. 3d.; Packing Cases £4 2s. 9d.; Coal £9 1s. 6d.; Petrol for Motor Van £6 11s. 6d.; Machinery Oil £5 10s.

CREDIT NOTES received were :—

- Mar. 12. James Arnold, Raw Material returned, £10 7s. 1d.  
 „ 16. The Well Stores Ltd., for Old Furnace Bars, £6 9s. 6d.  
 All Cash received is paid to Bank weekly on Saturdays, March 9, 16, 23, 30.

The RECEIPT BOOK Counterfoils were :—

- Mar. 4. Ward & Sons, Cheque (dated Mar. 12), £53 1s.; Cash, £50; Discount, £5 8s. 6d.

*Note.*—Ward & Sons' Cheque was returned by the Bank on Mar. 14 "dishonoured." Acting on Ward & Sons' instructions it was paid into Bank again on Mar. 23.

- Mar. 16. Lewis & Co., Solicitors, £5 18s. 6d., being amount recovered from A. Jones, £7 10s. (less law charges £1 11s. 6d.), for disputed claim.  
 „ 28. Briggs & Co., Ltd., cheque on a/c. £200.  
 „ 29. Hopkinson & Co., 2 packing cases, Cash Sale 15s.  
 „ 30. The Well Stores, Ltd., hire a Motor Van 3 days @ 2 guineas, £6 6s.

The CHEQUE BOOK Counterfoils were :—

- Mar. 7. Self, Wages, £45 3s. 2d.; Petty Cash, £2 16s. 10d.; Private, £5.  
 „ 8. Jas. Arnold, £41 19s. 7d. in settlement of a/c. to date.  
 „ 14. Self, Wages, £51/9/6; Petty Cash £3/10/6; Private £5.  
 „ 22. The Well Stores Ltd., £68/4/-; Discount, £3/11/10.  
 „ 21. Self, Wages, £41/3/9; Petty Cash, £3/16/3; Private £5.  
 „ 26. *Note*—Fryston & Co.'s Bill due this day pd. by the Bank.  
 „ 28. Self, Wages, £47/6/8; Petty Cash, £2/13/4; Private £5.  
 „ 30. J. B. Richardson, 1 month's Rent, £8/13/4.

On examining the Bank Pass Book on 30th March it is found that the cheque on the 22nd inst. for the Well Stores, Ltd., is entered £68 4s. 10d., and the receipt also shows this amount. J. B. Richardson's cheque has not yet been presented at the Bank.

The Petty Cash Book shows a balance in hand of £1 3s. 6d. at the end of the month, the remainder has been paid away in Sundry Expenses. On comparing the Stock at the end of March, it is found that the Stock List at 1st March, 1907, has been over-added £50. Stock, 30th March, 1907, Goods £365 14s. 3d. and extra tyre at half cost.

West Riding County Council (*Intermediate, 1908*).

Journal	Returns Outwards Bk.	Impersonal Ledger
Sales Day Book	Cash Book	Private Ledger
Returns Inwards Book	Sales Ledger	Bought Ledger
Purchases Day Book		

The following T.B. is taken from the books of Messrs. Carr & Willis on 31st December, 1907. Re-open the books.

William Carr, Capital A/c. ....	£1024	3
James Willis, Capital A/c. ....	310	1 3
Fixtures A/c. ....	£250	- -
Trading A/c., Stock ....	860	15 -
Advertising A/c., Stock ....	15	10 -
Bad Debts A/c., Reserve ....		10 - -
Cash Book, Bank Balance ....	144	19 3
Sales Ledger Balance:—Rush & Co., Ltd. (note:—terms, 5% for monthly settle- ment on the 10th) ....	68	11 2
Sykes Ltd. ....	33	9 5
Bills Receivable A/c. ....	29	- -
Bought Ledger Balance:—Rush & Co., Ltd. (note:—terms, 5% for monthly settlement on the 10th) ....	58	3 4

Record the transactions and close the books, showing Trading A/c. and B/S. The INVOICES sent out for goods sold were:—

Jan. 3. Sykes Ltd., Lightown, 85 yds. "Frictionless" Belting @ 3s. 9d. per yd.; 9 doz. & 4 Patent Laces @ 18s. per doz.; per N.E.R. carr. pd. £22	- 1
„ 8. Rush & Co. Ltd., Broadfoot, 370 yds. "Power- ful" Strapping @ 2/8 per yd.; per their cart 49	6 8
„ 25. Sykes Ltd., Lightown, 3cwts. 2 qrs. 8lbs. Rim'd Sheets @ 1/2½d. per lb.; 4 Double Fretwork Chains @ 25s. each; per N.E.R. carr. pd. 29	3 4
„ 27. Rush & Co. Ltd., Broadfoot, 1130 yds. "Power- ful" Strapping @ 2/6 per yd.; per their cart 141	5 -

The CREDIT NOTES sent out were:—

Jan. 6. Sykes, Ltd., Lightown, 1 doz. Patent Laces @ 18s. per doz. returned "wrong size" ....	- 13 -
„ 9. Rush & Co., Ltd., Broadfoot, 1d. per yd., over- charge on 370 yds. "Powerful" Strapping	1 10 10

The INVOICES RECEIVED were:—

Jan. 4. North Eastern Railway Company, Carriage...	1 2 6
„ 14. Rush & Co., Ltd., Broadfoot, Goods .....	39 6 1
„ 16. Warner Bros., Printing Show Cards .....	22 11 1
„ 21. Vale & Miller, Fitting up New Show Room, £66 10s., and mending show case broken during Stocktaking £3 15s. ....	70 5 -
„ 27. North Eastern Railway Company, Carriage	- 17 3
„ 31. Warner Bros., New Set of Account Books received Jan. 1. ....	4 15 -

The CREDIT NOTES received were:—

Jan. 3.	Rush & Co., Ltd., goods returned .....	£3 . . .
" 18.	Warner Bros., allowance for Show Cards slightly damaged in transit .....	1 . .

CASH received during the month was:—

Jan. 4.	From Bank by Cheque .....	30 . .
" 10.	Rush & Co., Ltd., Cheq. in Settlement to date	58 2 6
" 15.	Sykes, Ltd., Cash £32 1s. 8d. and cheque (drawn by C. Rogers) £20; Dis. £2 14 10d.	
" 25.	From Bank by Cheque .....	20 . .

The PAYMENTS were:—

Jan. 4.	Wages £6 3s. 6d. Sundry small expenses...	· 14 3
" 9.	North Eastern Railway Co., Cash .....	1 2 6
" 11.	Wages .....	6 5 .
" 11.	To Bank .....	58 2 6
" 16.	To Bank .....	35 . .
" 18.	Wages .....	6 4 .
" 18.	Bank Debit A/c with amount of C. Rogers' Cheque returned dishonoured .....	20 . .
" 20.	Warner Bros., Cheque in Settlement to date	20 9 6
" 25.	Wages £6 1s. 3d. Sundry small expenses ...	1 8 10
" 29.	Vale & Miller, Cheque on A/c. .....	40 . .
" 31.	Wm. Carr, withdrawal, Cash £25, Cheque £25.	

On Jan. 31 the Bill Receivable, £29, is discounted with the Bank, who charge 4s 9d for doing so. It is doubtful if the balance due from Sykes, Ltd., will be recovered, therefore increase the Bad Debt Reserve to cover an estimated loss of 50% of this debt.

Each partner is entitled to 5% per ann. int. on cap. in the business and they share the profits equally.

Stock of Goods, £755 10s.; Advertising Stock, £26.

#### West Riding County Council. (*Intermediate, 1909*).

Messrs. William Abbott and James Berrys are Coal, Coke, and Lime Merchants, trading as Messrs. Abbott & Berrys. On 1st Feb., 1909, their Assets and Liabilities were as follows:—

Horses, Cart and Harness .....	£184 10
Office Furniture .....	60 . .
Stock:—Coal £560; Coke £320; Lime £140 .....	1020 . .
Bill Receivable (Bryde & Son, due 4th Mar., 1909) ...	100 . .
Sales Ledger balances: Bryde & Son .....	65 10 .
Anderson & Co. ....	235 6 8
Bought Ledger balances: Anderson & Co. ....	118 3 4
Deepdown Colliery Co. ...	72 4 9
B/P. (Deepdown Colliery Co., due 18th Feb., 1909)...	240 . .
Bank Overdraft .....	169 11 3

The Capital belongs to the partners in equal shares. The Partnership Agreement provides for int. on Cap. at 5% per ann., and for Wm. Abbott to have  $\frac{5}{8}$ ths of the profit, James Berrys  $\frac{3}{8}$ ths.

Enter and post the books, prepare T.B., and close the books on 31st March, 1909, showing B/S. The Sales Day Book and Purchases Day Book are ruled to keep a separate record of Coal, Coke and Lime. Expenses are not entered in the Books until payment is made. All cash received is paid to Bank on the following morning. The Cash Book is balanced monthly and the totals of Sales, Purchases, Returns, and Discount are posted to the Impersonal Ledger monthly. The Stock is taken on 31st March, 1909, and is found to be Coal £750, Coke £425, Lime £95.

The INVOICES sent out for goods sold were :— £ s. d.

Feb. 3.	Thos. Speight & Co., Ltd., Birkenhead, Coal	138 13 8
" 8.	Bryde & Son, Bristol, Lime.....	83 4 10
" 8.	Coke .....	49 4 1
" 17.	Anderson & Co., York, Coal .....	196 14 6
" 17.	Coke .....	73 4 9
Mar. 1.	Bryde & Son, Bristol, Lime .....	6 2 4
" 16.	T. Speight & Co., Ltd., Birkenhead, Coal ...	539 1 8
" 16.	" " " Coke ..	196 4 1
" 16.	" " " Lime ..	44 16 7
" 22.	Anderson & Co., York, Coke .....	64 3 10
" 22.	" " " Coal .....	113 6 10

The CREDIT NOTES sent out were :—

Feb. 10.	Bryde & Son, overcharge on Lime sent 8th inst. ....	4 3 3
" 20.	T. Speight & Co., Ld., error in inv. sent 3rd	-10 -

The INVOICES received were :—

Feb. 10.	Deepdown Colliery Co., Coal ... . ....	329 8 6
" 10.	" Coke .... . ....	134 3 2
" 24.	Anderson & Co., Lime ..... . ....	43 11 4
Mar. 11.	Deepdown Colliery Co., Coal .....	798 4 6
" 11.	" Coke .....	285 1 8
" 26.	Anderson & Co., Lime .....	43 3 3

The CREDIT NOTES received were :—

Mar. 13.	Deepdown Colliery Co., allowance for short weight in Coke sent 11th inst. ....	3 2 6
" 28.	Anderson & Co., overcharge on Inv., 26th...	2 9 8

CASH received was :—

Feb. 10.	Anderson & Co. cheque £114 4s. 6d. in settlement of a/cs. to 31st Jan., 1909, Sales Ledger a/c. subject to 14% dis. £2 18s. 10d.; Bought Ledger A/c. net.	
" 10.	Bryde & Son cheque £63 17s. 3d., dis. £1 12s. 9d.	
Mar. 3.	B/R. (Bryde & Son due 4th Mar.) £100 given to Bank.	
" 11.	T. Speight & Co., Ltd., cheq. £134/14/7, dis. £3/9/1.	
" 11.	Anderson & Co., cheque £223 0s. 5d. in settlement of a/c. to 28th Feb., 1909; Sales Ledger A/c. subject to 14% dis. £3 7s. 6d.; Bought Ledger A/c. net.	
" 29.	Bryde & Son cheque £205 3s. 9d., being 1st and final dividend of 17s. 6d. in the £ on a/c. due.	

Mar. 29. Employers' Insurance Co. cheque £4 3s. 6d., being refund of compensation already paid to one of the Cartmen by the firm, as Wages whilst away from work owing to injuries received.

The CHEQUES drawn were:—

- Feb. 12. Deepdown Colliery Co. £68 12s. 6d., dis. £3 12s. 3d.  
 .. 13. Selvies £25 (for Wages £23/2/6, Trade Exs. £1/17/6).  
 .. 18. Bill Payable £240 due this day advised at Bank.  
 .. 24. Midland Rly. Co. £15 6s. 3d. for carriage outwards.  
 .. 27. Wm. Abbott £20 withdrawal.  
 .. 27. James Berry's £20 withdrawal.  
 .. 27. Nield & Son £10 5s. 0d. for advertising.  
 .. 27. Selvies £32 (for Wages £23 12s. 6d., Travelling Exs. £5 4s. 0d., Trade Exs. £3 3s. 6d.)
- Mar. 5. Bank return Brydc & Son's acceptance £100 dis-honoured, and charge 2s. for noting.  
 .. 10. Deepdown Colliery Co. £440 8s. 1d., dis. £23 3s. 7d.  
 .. 12. Selvies £35 (for Wages £24 19s. 6d., Travelling Exs. £5 18s. 2d., Trade Exs. £1 2s. 4d.)  
 .. 18. Wm. West £35 for additional Horse.  
 .. 26. Selvies £33 (for Wages £23/4/3, Trade Exs. £9/15/9).

National Union of Teachers. (*Intermediate*, 1908).

1. Looking through some a/cs I find the totals of the sides to be as follows:—John Brown, Dr. £50, Cr. £100; Cash, Dr. £110, Cr. £160; Bad Debts, Dr. £90, Cr. £40. Say in each case whether the balance is a debit or credit balance, and give its exact meaning. 2. Give the meanings of:—C.I.F.; F.P.A.; F.G.A.; H.M.C.; Cum. Div.; F.O.B. 3. With respect to the document below write down:—(1) Its name; (2) Its domicile; (3) Its maker; (4) Value and description of stamp necessary; (5) The earliest date on which it may be cashed.

£205.

*LONDON, 1st January, 1908.*

*ON DEMAND I promise to pay Adam White the sum of Two hundred and five pounds for value received.*

*Payable at the City Bank.*

*John Black.*

**Ex.** On 1st Jan., 1908, the state of Abraham Black's business was as follows:—**Assets:** Cash at Bank £1200 10s., Goods on hand £1500, B. Brown £240 17s. 6d., C. Green £250 2s. 6d., D. Grey £108 10s. B/R. Nos. 10 11 £400, Freehold Premises £5000. **Liabilities:** B/P. No. 20 £320, F. Orange £310, W. White £75. Enter, post, prepare T.B., P. & L. A/c. and B/S. Pass closing Entries through Journal. *All amounts over £5 paid by cheque. All receipts paid into Bank same day.*

Jan. 1.	Drew and cashed cheque for office cash .....	£50	-	-
	Paid water rate .....		312	6
,, 2.	Consigned to C. Green, of Quebec, to be sold on my a/c. and risk: Goods invoiced at £400; Paid charges on same .....		30	10

Jan. 3.	Drew by arrangement on C. Green at 3 m. for £200 - -	
	Cash Sales .....	275 10 6
,, 4.	Bought Goods of F. Orange for 2 mos. bill... 148 16 6	
,, 6.	Fire damaged the premises this day to the extent of £200, and destroyed goods value (Both the above were uninsured). 40 - -	
,, 7.	Paid W. White £73 15 6; Dis. allowed .....	1 4 6
,, 8.	Retired Bill No. 20 by cheque £317 17 6 Rebate allowed .....	2 2 6
,, 9.	B/R. No. 9, W. Violet £250, previously discounted with Bank, returned dishonoured. Noting Expenses .....	- 12 6
,, 10.	Purchased from F. Orange on joint a/c. with B. Brown, Goods invoiced at ..... Paid charges thereon .....	300 - - 12 10 -
,, 11.	Drew Cheque for Wages .....	15 - -
,, 11.	Received of B. Brown his half of cost of goods purchased on joint a/c. .....	150 - -
,, 13.	W. Violet requests a renewal of his dishonoured Bill for 3 mos., agreeing to pay Noting Exs. and £4 Int. A new Bill for the whole was drawn accordingly, which he accepted	
,, 14.	Sold Goods to B. Brown for 2 months' Bill 295 17 6	
,, 15.	Received of John Bone in discharge of a/c. written off two years ago .....	35 12 6
,, 18.	Sold Goods to D. Grey .. .... ....	150 15 -
	Paid F. Orange .....	310 - -
,, 20.	Recd. of D. Grey £107; allowed dis. £1 10	
,, 21.	Received sight draft from C. Green .....	250 2 6
,, 22.	Cash Purchases .....	305 17 6
	Paid for coal for offices .....	4 7 6
,, 23.	Sent B/R. No. 10 to Bank for collection.....	150 - -
,, 24.	Sold Goods to W. White .. .... ....	96 15 -
	For which he gave a cheque for £100 and recd. difference from office cash .....	
,, 25.	Drew cheque for Wages .....	15 - -
,, 27.	W. White's cheque for £100 returned by bank dishonoured .....	
,, 28.	Recd. A/S. from C. Green showing that goods consigned to him realised £520, and that his charges amounted to .....	25 10 -
,, 29.	Recd. Cheq. from W. White in settl'm't of a/c.	
,, 30.	Drew Cheque for Salaries .....	45 10 -
	Sold the Goods purchased on joint a/c. for cash .....	410 - -
	Our Commission on the above .....	5 10 -
,, 31.	Drew Cheque for private purposes .....	25 - -
	Interest on Capital .....	33 10 -

Stock on hand £996.

## National Union of Teachers. (Intermediate, 1909).

1. Describe briefly the Imprest System of Petty Cash. 2. During the week a costermonger invested £5 in fruit and 10/- in paper bags. He paid the boy who helped him 7/-, and the hire of his barrow cost him 3/6. On Saturday night he found his takings amounted to £8, and he reckoned he had 1/6 worth of bags and 5/- worth of fruit left. Make out an A/c. showing his profit for the week. 3. Explain:—Bonded Goods, Del Credere, Rebate, Scrip, P.P 1., A/S.

Ex. The affairs of Arthur Abel, Contractor, stood as follows on 1st Jan., 1909.—*Assets*: Cash in Office £30; Cash at Bank £900, Bills Receivable, No. 1, £200, No. 2, £240; Benjamin Binns, £720; Expenditure on Contract 10 £2160; Expenditure on Contract 11 £4800; Freehold Premises £7500; Horses & Carts £1100; Stock of Materials £3000. *Liabilities*: Bills Payable, No. 20 £150, No. 21 £250; Charles Cain £350; Instalments received on Contract 10 £1200; Instalments received on Contract 11 £3600. Enter, post, prepare T.B., P. & L. A/c., and B/S. Pass closing entries through the Journal. All payments, unless otherwise stated, are made by cheque; all receipts are paid into the Bank same day.

Jan. 1.	Recd. Cheq. for Bill No. 1 £198 10;	Rebate	£1 10	-
,, 1.	Signed Con. 12 to restore St. John's Ch. for	4000	-	-
,, 2.	Bought of Charles Cain Bricks value .....	530 10	6	
,,	Pd. him Cheq. £350, & acceptance at 3 mos.	300	-	-
,, 4.	Paid for two new Horses .. .. .. .. ..	75	-	-
	Paid for Postages, &c., Office Cash .. .. ..	2 12	6	
,, 5.	Received Instalment on Contract 11 .. .. ..	615	-	-
,, 6.	Paid Wages—Con. 10 £155 15, Con. 11 .. ..	90 5	-	
,, 7.	Materials supplied to Contract 10 .. .. ..	365 10	-	
	Materials supplied to Contract 11 .. .. ..	550 10	-	
	Materials supplied to Contract 12 .. .. ..	240 15	-	
,, 8.	Retired Acceptance No. 20 by cheque £148			
	12 6. Rebate allowed .. .. .. .. ..	1 7	6	
,, 9.	Bought Tiles of Chas. Cain for 2 mos. bill...	230 17	6	
,, 11.	Recd. cheq. from Benj. Binns £411 12; Dis.	8 8	-	
	Paid for Repairs to Carts .. .. .. .. ..	10 5	6	
,, 12.	B/R. No. 2, Frank Fox £240, due this day			
	returned dishon'red. Noting Exs.—Office	- 12	6	
,, 13.	Retired Acceptance No. 21 Cheque £247 10 - ;			
	Rebate allowed .. .. .. .. ..	2 10	-	
,, 14.	Arthur Abel's Drawings .. .. .. .. ..	45	-	-
	Charge Benj. Binns for repairing his roof..	12 2	6	
,, 15.	Bought Cement of Charles Cain .. .. ..	290 10	6	
,, 16.	Paid Wages—Contract 10 £60; Contract 11			
	£100 14 6; Contract 12 £45 7 6; Yard			
	Watchman—Office Cash .. .. .. .. ..	1 15	6	
,, 18.	Materials supplied to Contract 10 .. .. ..	605	-	-
,, 19.	Received Instalment Contract 10 .. .. ..	720	-	-
,, 20.	Paid for Water to Contract 11 .. .. ..	5 10	-	
	Materials supplied to Contract 12 .. .. ..	175 2	6	

Jan. 21.	Wrote off value of a Horse killed in street ...	£35	-	-
,, 22.	Received of Edward Easton for Cartage .....	20	5	9
,, 23.	Contract 10 completed and passed. Final Instalment recd. ....	2400	-	-
,, 25.	Contract 11 completed. Balance due .....	1200	-	-
,, 26.	Received Instalment on Contract 12 .....	150	-	-
,, 27.	Recd. cheq. for Frank Fox's dishon'red Bill and Noting Expenses .....			
,, 28.	Received Instalment on Contract 11 .....	600	-	-
,, 30.	Paid Salaries .....	80	-	-
,, 31.	Interest on Capital .....	54	-	-
	Depreciation of Premises .....	10	-	-

*Stock of Materials on hand £2200.*

**Exercise 67. (Royal Society of Arts, Intermediate, 1912.)**

**Q. 1.** What is a *negotiable instrument*? What is the effect of marking a document *not negotiable*? **Q. 2.** Briefly explain the purposes for which the Journal is employed in an *up-to-date* counting-house. Journalise the following :—(a) On 18th Jan., 1912, Peter Sykes exchanged, with Peter Blair, a motor-car valued at £350, giving him a dog-cart, valued at £150, and two horses valued at £100 each. (b) On 19th Jan., 1912, John Smith returned damaged goods, invoiced at £10 14s. 6d., to Andre Gammon. His book-keeper entered the transaction in the Sales Journal in error.

**Ex. 1.** George Norman and Robert Carter are Wholesale and Retail Grocers, the former's Capital being twice that of the latter. On 31st Dec., 1911, in addition to the partner's balances, the following appeared in their Ledgers :—**Assets:** Cash in hand £47; Cash at Bank, £482; Stock, £870; Fixtures, Fittings & Utensils, £247; Horses & Vehicles, £155. **Sundry Debtors:**—J. Morley, £68; A. Barnes, £23; R. Foster, £29; S. Middleton, £35. **Liabilities:** Sundry Creditors :—J. Harris & Sons, £50; W. Clark, £55; Evans Lloyd & Co., £64; W. Newton, £15; Reserve for Rent (due 25th Dec., 1911), £50. Enter in the Ledger the foregoing particulars, and pass through the books the transactions from Jan. 1st to 8th, 1912. Balance the a/cs., bring down the balances, and extract a T.B. All purchases and sales were on credit, unless the contrary is stated.

1. Paid into Bank, £30.  
Recd. from J. Harris & Sons, 3 cwt. of sugar at 13s. 6d.  
Recd. from W. Clark, 20 cases of preserved fruit at 9s. 6d.  
per doz. tins (each case contained 2 doz. tins).
2. Sold to A. Barnes 50 lbs. tea at 1/4 per lb., and charged  
him 3/- for boxes.  
Accepted 3 mos. bill from J. Harris & Sons for £50.  
Cash Sales for the past two days were £77.

3. Recd. cheq., which was paid into Bank, from S. Middleton, in settlement of his a/c., less 5% dis.  
Cash Sales for the day £27.
3. Paid Rent (due 25th Dec., 1911), by cheque.  
Sold to R. Foster, 12 cases of "X.L." Sauce at 3/3 per doz. bottles (each case contained 2 doz. bottles).  
Returned to W. Clark, 1 case of preserved fruit, delivered on the 1st inst.—goods faulty.
5. J. Morley accepted a 1 month's bill, drawn on him for £40.  
Cash Sales for the past two days were £83.
6. Sold to S. Middleton 1 gross tins Cocoa at 6/- per doz. tins.  
Recd. from Evans Lloyd & Co., 30 kegs of butter, containing in all 4 cwts., at 86s. per cwt.  
The Bank discounted J. Morley's bill, charging 3½%.  
Sent Credit Note for 3/- to A. Barnes for boxes returned.  
Paid Wages £13 10s. in cash.  
Cash Sales for the day were £46.
8. Paid by cheque W. Newton's a/c. as on 31st Dec., 1911, less 2½%.  
Geo. Norman drew in cash £7, and Robert Carter £3 10s.  
Paid by cheque, Evans Lloyd & Co.'s a/c. as on 31st Dec., 1911, less 2½%.  
Paid all cash in hand on this date, with the exception of £10 retained for Petty Cash purposes, into Bank.  
(Total Balances, £2111 3 8.)

Ex. 2. The X Manufacturing Co., Ltd., had a Nominal Capital of £75000 divided into 5000 Ordinary Shares of £10 each, and 25000 6% Preference Shares of £1 each. Prepare Trading and P. & L. A/cs. and B/S. for the year ended 31st Dec., 1911. Depreciation:—Patents 10%, Buildings 3% per ann., Plant & Machinery 6% per ann. Credit a further reserve of 1% on gross Sales to the Bad Debt Reserve A/c. Reserve 2½% on Debtors for Discount. Reserve £250 for Directors' Fees. Appropriate £2000 to Reserve A/c. Stock, 31st Dec., 1911, £11420 8s.

**Dr. Balances—**

Stock, 1st Jan., 1911 ...	£16200	4	3
Cash .....	106	2	-
Bank .....	3196	13	-
Purchases .....	25123	7	-
Returns Inwards .....	901	7	9
Manufacturing Exs. ...	5314	2	-
Manufacturing Wages ...	13210	-	-
Salaries .....	1525	-	-
Travellers' Salaries, Commission & Exs. ...	3210	-	-
Rates and Taxes .....	210	-	-
Insurance .....	70	-	-
General Expenses .....	1420	-	-
Discount .....	1283	2	-
Bad Debts .....	280	-	-
Interest & Bank Charges	87	-	-
Land & Buildings .....	10000	-	-

**Dr. Balances continued—**

Machinery & Plant .....	£17000	-	-
Debtors .....	28397	4	9
Patents .....	3000	-	-
Pref. Dividend Paid .....	706	5	-
Interim Ordy. Div. Paid	900	-	-
<b>Cr. Balances—</b>			
Ordy. Share Cap. A/c....	30000	-	-
Pref. Share Cap. A/c....	25000	-	-
Sales .....	63200	4	8
Returns Outwards .....	308	17	6
Discount .....	578	3	-
Creditors .....	9843	2	-
Bad Debts Res. 1 Jan., II	400	-	-
P. & L. A/c. (Balance 31st Dec., 1910) .. ..	810	-	-
Reserve A/c .....	2000	-	-

**Answer.**—*Gross Profit, £14180 9 2; Net Profit, £3795 9 7; Bal. of Appropriation A/c., £999 4 7; Total of B/S., £70092 6 7.*

## Exercise 68. (Royal Society of Arts, Intermediate, 1913)

Q. 1. Rule the forms of Sales Journal and Cash Book of a firm using Town and Country Self-Balancing Ledgers. The Sales Journal should also provide for the analysis of the Sales as between three departments. State how and where the items entered in each book should be posted. Q. 2. What portions of the Salaries and Wages should be charged to the "Trading Account" and what to the "Profit & Loss Account" in the business of a Manufacturer? Name some items of expenditure which may occur in the same business, which should be charged to Capital.

Ex. 1. B/S. of Smith and Co., Ltd., Grocers, on 31st Dec., 1912.—

Liabilities.		Assets.	
Capital — Nominal —		Buildings (Household)	£1000
6000 Shares of £1 ea.	£6000	Lectures, fittings and Furniture	472
5000 Shares of £1 each issued and paid up	5000	Sundry Debtors —	
Sundry Creditors —		H. Falconer	£153
Rent	£120	T. Cave	71
Income Tax	62	N. Carver	149
H. Bell	75	V. Row	27
T. Burton	93	Stock on hand	
R. Lawson	60	Bill Receivable —	
Bills Payable —	350	G. Watson	100
A. Scott	40	Cash —	
Profit & Loss A/c	907	At Bank	1252
		In hand	50
	£6297		— 1302
			£6297

Open Ledger A/cs and post, through the proper subsidiary books, the following transactions, balance the a/cs as on 8th Jan., 1913. bring down the balances, and extract a T.B. All purchases and sales were on credit, excepting where the contrary is stated. All cheques received were paid into the Bank.

- Jan. 1. Received cheque from T. Cave, for the bal of his a/c, less  $2\frac{1}{2}\%$  dis  
 Purchased from A. Scott, 1 gross 1-lb jars of Marmalade at 4s per doz  
 Sold to N. Carver, 10cwt. of Beet Sugar at 9/6 per cwt.  
 „ 2. Paid by cheque, Rent and Income Tax, owing on 31st Dec., 1912  
 Paid carriage by Cash, £3 2s 4d  
 Recd. from H. Falconer, 3 months' acceptance, dated 2nd Jan., for £100; and discounted same with Bank, the Bank Charges being £1 0s 4d.  
 „ Sold to V. Row, 56lbs. of Tea at 1s 1d. per lb  
 T. Cave's cheque (recd. on 1st inst.) was retd by the Bank, marked R/D.

- Jan. 4. Purchased from R. Lawson, 2 gross tins of Preserved Pears at 6s. 6d. per doz.  
 Cash Sales £8 19s.
- Pd. T. Burton, by cheq., the bal. of his a/c. less 2½% dis.
- ,, 5. Recd. cheque from N. Carver for £80 on a/c.  
 Sold to H. Falconer, 2cwt. of Gronnd Rice at 2d. per lb.  
 Sent Credit Note to N. Carver for 5s. for allowance for short weight in goods sold to him on the 1st inst.
- ,, 6. Bill Payable £40, due this date, was presented to and paid by the Bank.
- ,, 7. Paid Wages in cash £19 5s., Recd. 4d. from each of 8 employees on a/c. of National Health Insurance.  
 Retd. to R. Lawson, 1 doz. tins of Preserved Pears (damaged) purchased on the 4th inst., and recd. C/N.
- ,, 8. Purchased out of Cash a new showcase & fittings, £18.  
 Cash Sales, £23.  
 Paid into Bank all cash in hand, less £10 retained.

(Total Balances £6094 12 6.)

**Ex. 2.** From the T.B. extracted from the books of Angus MacAdam and John Westrum prepare Trading and P. & L. A/cs. and B/S. for the year ended 31st Dec., 1912. **Adjustments:** Depreciation on Land & Buildings 2½% ; on Plant & Machinery 10%. The Res. for Doubtful Debts is to be increased to 5% on the Sundry Debtors. Unexpired amounts to be carried forward :—Rates £27 1s. 9d.; Insurance £16 7s. 9d. The Partnership Agreement provides :—(1) That 5% per ann. shall be allowed on Partnership Cap. (as a charge to the P. & L. A/c.), and that such int. shall be credited to the Partners' Drawing A/cs.; (2) That a Partnership Salary out of Net Profits (if any) as made) of £300 per annum shall in the first instance be credited to Westrum's Drawing A/c.; (3) That the Net Profit (if any), after providing for the aforesaid Partner's Salary, shall be divided between the partners *pro rata* to the amounts at the credit of their Cap. A/cs., and shall be credited to their Drawing A/cs. Stock, 31st Dec., 1912, £1,991 7s. 6d.

**Dr. Balances—**

A. MacAdam, Dwg. A/c.	£1000	-	-
J. Westrum, Dwg. A/c....	300	-	-
Land & Buildings .....	4960	-	-
Plant & Machinery .....	1036 10	-	-
Stock, 1st Jan., 1912 ...	2019	3	7
Debtors .....	1536	15	-
Purchases .....	9294	1	6
Returns Inwards .....	370	2	-
General Expenses .....	150	6	-
Manufacturing Wages ...	2001	15	7
Rates & Taxes .....	167	4	9
Insurance .....	66	9	7
Manufacturing Expenses ..	225	10	4

**Dr. Balances continued—**

Salaries .....	£666	8	-
Discount A/c. ....	33	4	1
Cash in Hand .....	64	3	8
Cash in Bank .....	655	9	4
<b>Cr. Balances—</b>			
A. MacAdam, Cap. A/c. ..	6000	-	-
J. Westrum, Cap. A/c. ...	2900	-	-
Creditors .....	1362	13	3
Res. for Doubtful Debts .....	66	3	-
Sales .....	14274	6	6
Returns Outwards .....	870	2	-
Discount .....	29	18	8

**Answer.—**Gross Profit £3235 3 - ; Net Profit £1277 12 - ; Bal. of Drawings A/c., A.M., £258 4 - ; J.W. £419 8 - ; Total P/S. £10040 5 3.

Exercise 69. (*Royal Society of Arts, Intermediate, 1914.*)

- Q. 1.** The undermentioned errors were discovered in the books of John Brown & Co., Ltd., affecting the year ended Dec. 31st, 1913 :—(a) June 4th. A cheque received from M. Stein for £10 was posted to his credit as 10s. (b) Dec. 27th. Goods returned by E. Hay, which had been invoiced to him at £17 10s., were taken into Stock at £15; but the Returns were not entered in the books until the following month. (c) Oct. 1st. A purchase amounting to £35 10s. was entered into the Purchase Journal correctly, but was credited to the Personal A/c. as £30 5s. 10d. Show what adjusting Journal entries should be made in order to rectify the above errors in John Brown & Co.'s books.
- Q. 2.** What constitute the essential differences between a "Trading A/c.," a "P. & L. A/c.," and an "Appropriation A/c.?"

**Ex. 1.** The B/S. of the Bright Coal Co., Ltd., on 31/12/13 :—

Liabilities.		Assets.	
Capital :—Nominal :—			
5000 Shares of £1 each .....	£5000	Freehold Buildings .....	£890
Issued :—4500 Shares of £1 each		Railway Trucks .....	2100
fully paid .....	4500	Office Furniture .....	70
Sundry Creditors :—		Seales & Sacks .....	130
Blank Colliery Co. ....	190	Horses and Vans .....	390
White Coal Co. ....	210	Sundry Debtors :—	
W. Stranron .....	35	W. Carter .....	218
S. Brown .....	18	Rowton Corporation .....	328
	453	V. Norman .....	82
Bills Payable :—		J. Wilson .....	23
Dumbleton Colliery Co. ....	300		451
P. & L. A/c. (balance) .....	339	Stock on hand .....	1000
		Cash at Bank .....	487
		Cash in hand .....	73

Open the Ledger A/cs. to record the above; and post, through the proper subsidiary books, the following transactions; balance the a/cs. as on 7th Jan., 1914, bring down the balances and extract a T.B. *All cheques paid into Bank. All purchases and sales on credit, except where contrary is stated.*

- Jan. 1. Purchased from Dumbleton Colliery Co. 100 tons of Steam Coal at 10s. 3d. per ton.  
     Sold H. Carver 6 tons of House Coal at 27/6 per ton.  
     Cash Sales, £16 10s. 6d.
- ,, 2. Paid the Blank Colliery Co. their a/c. less £11 11s. 3d. allowance for short weight. Cash Sales, £9 10s. 6d.  
     Purchased, out of Cash, Insurance Stamps value 14s.  
     Sold to Rowton Corporation 80 tons of Steam Coal at 20s. per ton. Jan. 3. Cash Sales, £21 10s.  
     Received of Rowton Corporation, Cheque £300.  
     Purchased from the Blank Colliery Co., 200 tons of Coal at 11s. 9d. per ton.
- ,, 3. Paid Wages in Cash, £15 9s. Received 4d. from each of 10 employees on a/c. of Nat. Health Insurance.

- Jan. 5. Bill payable, £300, due this date, was presented to and paid by, the Bank. Cash Sales, £19 5s.  
 Paid W. Stranson his a/c., by cheque, less 12s. for corn sacks returned.  
 Purchased from S. Brown, 2 tons Hay at £6 5s. a ton.  
 Cash Sales, £18.  
 Received from V. Norman his a/c., by cheque, less £1.  
 Cash Sales, £23 5s. 6d.  
 .. 7 Paid into Bank all cash in hand, less £25 retained.  
 Sold to Rowton Corporation, 120 tons of Steam Coal at 20s. per ton.

(Total Balances, £5578 2 9.)

Ex. 2. The Speedy Motor Cab Co., Ltd., had a Nominal Capital of £30,000 divided into 10,000 Ordinary Shares of £1 each, and 20,000 6% Preference Shares of £1 each. Prepare Trading and P. & L. A/cs. for the year ended 31st Dec., 1913, and a B/S. Charge Depreciation on Plant & Machinery, and Fixtures & Fittings, at 10% per ann., and on Taxi-cabs at 5% per ann. Write off one-third of the Preliminary Exs. A/c. Reserve for Renewals £500; for Rates owing £18 7s. 6d., for Insurance paid in advance £170 1s. 6d. The takings of the cabs on 30th and 31st Dec. amounted to £171 8s. 3d., but were not paid in by the Drivers until 1st Jan. Stock, 31st Dec., 1913, £1486 10s. 9d.

**Dr. Balances—**

Call in arrear on Pref.	
Shares .....	£8 10
Stock, 1st Jan., 1913 .....	1305 8 7
Cash in hand .....	28 9 3
Salaries .....	1187 10 3
Tires .....	4906 3 11
Insurance .....	1521 8
General Expenses .....	278 2
Plant & Machinery .....	1451 9
Fixtures & Fittings .....	1126 17
Taxi Cabs .....	28000 -
Debtors .....	89 17 3
P. & L. A/c., 31 Dec., 1912 .....	715 3 5
Rent of Taximeters .....	465 10
Licences .....	312 8
Petrol (less Payments by Drivers) .....	874 8 6

**Dr. Balances continued—**

Training Drivers .....	£103 5 4
Washing & Cleaning Cabs .....	2600 8 2
Repairs .....	1810 12 5
Rent, Rates & Taxes .....	253 8 2
Lighting .....	182 5 4
Directors' Fees .....	230 -
Preliminary Expenses .....	458 2 6
Legal Exs & Audit Fee .....	102 5 3
<b>Cr. Balances—</b>	
Ord. Share Cap. A/c. .....	10000 - -
Prel. Share do. .....	18267 - -
Bank Overdraft .....	603 5 4
Cab Earnings .....	18337 19 5
Creditors .....	710 2 -
Res. for Renewals, 1st Jan., 1913 .....	500 - -

Answer.—Gross Profit £8852 16 10; Net Profit £1330 8.; Total of B/S. £31172 9 5.

Exercise 69a. (*Royal Society of Arts, Intermediate, May, 1915*).

Q. 1. Explain the terms:—(a) Company, (b) Unlimited Company, (c) Limited Company. Q. 2. On Oct. 1, 1914, M. Andrew, who owed you £100, accepted a B/E. at 1 month for the amount. Andrew failed to meet the Bill when it came due, and the expenses incurred (5s. 6d.) were debited to your current a/c. by your Banker. Give the Journal Entries which should appear in your books.

Ex. 1. Bloomfield, Parker & Co., Ltd., Produce Dealers, incorporated on Jan. 1, 1912, have a Nominal Cap. of £200000,

divided into 10000 Ordinary Shares of £1 each and 10000 5% Pref. Shares of £1 each. 3000 of the Ord. Shares and the whole of the Pref. Shares were issued and fully called up. After closing the books as on Dec. 31, 1914, and preparing the Company's P. & L. A/c., the following T.B. was extracted on Dec. 31, 1914 :—

**Dr. Balances—**

Calls in Arrear on Pref. Shares	£200
Horses, Carts and Motor Vans	4160
Fixtures, Fittings & Furniture	1293
Sundry Debtors :—F. Barry ...	68
H. Sells .....	142
K. Murray...	34
M. Christie..	56
Stock on hand, Dec. 31, 1914	3312
B/R. (F. Barry, due Jan. 3, 1915)	600
Pref. Share Div. A/c. for Interim Div. due and paid July 1, 1914 .....	245

**Dr. Balances continued—**

Cash at Bank—Current A/c. ...	£1510
Deposit A/c. ...	3300
Cash in hand .....	60
Cr. Balances—	
Ordinary Share Capital .....	3000
Preference Share Capital .....	10000
Sundry Creditors :—	
H. Walpole .. . . . .	65
F. Thompson . . . . .	178
H. Moss .. . . . .	197
P. & L. A/c. Bal 31/12/14 ...	1699
Reserve for Income Tax ....	150

Open the Ledger A/c. and record the above balances, and post, through subsidiary books the following, in 1915 :—Jan. 1, Paid Cheques to Pref. Shareholders for half-year's Div. due Jan. 1, 1915 (ignore Income Tax); Purchased from W. Walpole, 12 cwt. of Refined Sugar at 30s. per cwt.; Paid Freight by Cash, £27 19s.; Jan 2, Sold to K. Murray, 56lbs. of Coffee at 1s. 4d. per lb.; Received from M. Christie a cheque for the full amount of his a/c.; Purchased from H. Moss, 15 cwt. of Indian Rice at 10s. 2d. per cwt. and paid by cheque his a/c. as on Dec. 31, 1914, less 2½% dis.; Paid Wages by cash, £31 5s., Received 4s. from employees, being N.H. Insurance contributions, and purchased for cash twelve 7d. insurance stamps; Jan. 3, B/R. due this day was dishonoured on presentation at the Bank; Jan. 4, Paid Income Tax, £115 by cheque; Drew and cashed cheque for £50; Purchased new Motor Van for £320, and paid for it by cheque of same date; Sold H. Sells 3 cwt. of Refined Sugar at 36s. per cwt.; F. Barry gave a new acceptance dated Jan. 4, payable one month after date, for £600 plus int. at 5% per ann.; Jan. 5, Sold to M. Christie, 1 cwt. of Cocoa at 1s. 2d. per lb.; Received cheques from H. Sells and K. Murray for the balances of their a/cs. as on Dec. 31, 1914, less 5% dis.; Paid Telephone A/c., £5 6s. 7d.; Received cheque for £100 on a/c. of Calls in arrear.

(Total Balances, £15026 1 10.)

Ex. 2. A. Adams and B. Brooks were in business as manufacturers, and shared profits and losses—as to two-thirds to Adams and one-third to Brooks. On Dec. 31, 1914, the following T.B. was extracted. Prepare Trading and P. & L. A/cs. for the year ended Dec. 31, 1914, and a B/S. (a) 10% Depreciation is to be written off Plant and Machinery, and 5% off Furniture and Fittings, (b) 5% Interest is to be allowed on the Partners' Capital and charged to P. & L. A/c., but no Interest is to be charged on Drawings, (c) A Reserve for Bad and Doubtful Debts is to be created, amounting to 5% on the Sundry Debtors,

due and was met; Purchased Timber for Cash, £9 18s 9d.; Paid in Cash for odd Labour, 16s. 3d.; Drew cheques in settlement of the amts. owing, as on 31st Jan., 1916, to the three creditors, less 2½% dis.; Purchased, on credit, from G. Tate:—Tapestry £17 10s.; Trimmings £3 16s. 6d., Horsehair £1 4s. 5d., Sold, on credit, to R. Keys:—1 Dining-room Sideboard £9, 1 Dinner Waggon £2 10s., 2 Overmantels at £2 15s. each. Feb. 3, Sent Credit Note to T. Tree for overcharge of £1 1s. on Chest of Drawers sold to him on the 1st inst.; Drew and cashed cheque for £20; Advanced £10 in Cash as a loan to Frederick Hawley; Recd. from T. Tree cheque for £50, which was paid into Bank. Feb. 4, Paid in Cash, the following General Exs.:—Cleaning 19s. 5d., Stationery, 15s., Travelling exs. £1 4s. 6d.; Sold on credit, to P. Nares:—2 Library Chairs for £8 each, 1 Hall Stand £7 10s., 1 Chesterfield £15; Paid, in cash, 19s. 6d. for Carr. on the above goods, and charged same to Nares. Paid Wages, in cash, £9 16s., less Insc. deductions, 1s. 4d., and purchased Insc. Stamps, 2s. 4d. Balance the Ledger A/cs. and extract a T.B. (*Total Balances £3553 1s. 2d.*)

**Ex. 2.** W. Pride and E. Ackworth were in partnership as engineers. The Partnership Agreement provided that profits and losses were to be shared equally, and that 5% int. was to be charged on Cap. but not on Drawings. On 31st Mar., 1916, the following T.B. was extracted. Prepare Trading and P. & L. A/cs. for the year ended 31st Mar., 1916, and a B/S. (a) 10% Depreciation is to be written off Plant, Machinery, and Fixtures, (b) A Reserve for Bad Debts is to be created, amounting to 2½% of the Sundry Debtors, (c) A Reserve for a quarter's rent (£50) is to be made, (d) Insc. unexpired on 31st Mar., 1916, was £7 3s. 4d., (e) Stock on 31st Mar., 1916, £1658 14s. 9d.

#### Dr. Balances—

Plant, Machy. & Fixtures	£5672 13	4
Factory Fuel & Power	54 6	2
Office Salaries	374 10	6
Lighting and Heating	39 5	7
Travelling	92 0	7
Carriage on Sales	95 18	9
Cash at Bank	112 6	6
Cash in hand	6 7	3
Sundry Debtors	4796 10	-
Purchases	8329 4	1
Manufacturing Wages	991 9	10
Rent, Rates & Taxes	276 11	9
Office Exs.	271 14	4
Carriage on Purchases...	89 15	5

#### Dr. Balances continued—

Discount A/c. (balance)	£42	7	9
W. Price, Drawings A/c.	396	10	-
E. Ackworth, Drwgs. A/c.	285	14	6
Stock (31/3/15)	2172	11	9
Manufacturing Exs.	267	19	8
Sales Returns	742	2	6
Insurance	57	6	3
<b>Cr. Balances—</b>			
W. Price, Capital A/c.	5696	10	-
E. Ackworth	9626	3	4
Sales	12617	15	-
Sundry Creditors	2267	16	9
Purchases Returns	917	6	7
Bills Payable	642	3	4

**Answer.—Gross Profit £2000 13 7; Net Loss £500; Total of B/S. £11566 11 7.**

#### Exercise 69c. (*Royal Society of Arts, Inter., May, 1917*).

- What is an "Account Sales?" By whom is it prepared? Give an example.
- A. Chandler owed L. Owen £150 6s. 6d. on 1st Jan., 1917. On 2nd Jan., Chandler gave a bill at three months for the amount due. The bill was dishonoured at maturity, but renewed, plus £2 for interest, at one month. Give the entries to record these transactions in L. Owen's Books.

**Ex. 1.** A. Starling, boot factor, has on 31st Dec., 1916, the following Assets and Liabilities:—Assets:—Furniture & Fittings, £148 10s.; Stock, £649 12s. 6d.; Bill Receivable (due Jan. 5) £50; Sundry Debtors:—The Grosvenor Shoe Co., £29 3s. 4d.; A. Foot & Son, £19; J. Richardson, £20 7s. 8d.; Cash at Bank, £194 6s. 6d.; Cash in hand £4 3s. 1d. Liabilities:—Loan, £200; Sundry Creditors:—A. Hall & Co., £49 10s.; B. Bamforth, £27 3s. 4d.; Paris Footwear, Ltd., £95 16s. On 1st Jan., 1917, he took B. Sparrow into partnership. In accordance with an agreement, the latter paid £500 for a half-share in the business, one-half of which was credited to his Cap. A/c., and the balance paid out to A. Starling. Open Ledger A/cs. to record A. Starling's position on 31st Dec., 1916, and, assuming that the partnership arrangements were duly carried out on 1st Jan., 1917, post through the proper subsidiary books the following, in 1917:—  
**Jan. 2.** Recd. from the Grosvenor Shoe Co. a cheque for the amount due by them, less 2½% dis.; Sold on credit to J. Richardson, one gross pairs of ladies' shoes at 7s. 9d. per pair, and half a gross pairs of children's shoes at 3s. 6d. per pair; Paid by cash 3s. 6d. for window cleaning; **Jan. 3.** Purchased on credit from A. Hall & Co., 3 gross pairs of ladies' shoes at 6/- per pair, and paid them the amt. due on 31st Dec. by cheque, less 5% dis.; J. Richardson returned, as being imperfect, 14 pairs of children's shoes, sold him on the 2nd inst.; Sold on credit to the Grosvenor Shoe Co., ½ gross pairs of men's boots at 12/9 per pair; Transferred £250 to Deposit A/c.; **Jan. 4.** Paid by cash, carriage 15/-, and stationery 12/6; Drew and cashed cheque for £10 for office purposes; Purchased on credit from B. Bamforth, 3 doz. pairs of men's slippers at 3/- per pair, and paid him £20 on a/c. by cheque; **Jan. 5.** Bill Receivable due this day was duly met; Sold on credit to A. Foot & Son, 1 doz. pairs of men's boots at 14/6 per pair, and 2 doz. pairs of ladies' hoots at 12/- per pair; A. Starling drew a cheque for £10 for private purposes; J. Richardson pd. his a/c., less 2½% dis.; **Jan. 6.** Pd. wages in cash, £4 10s.; Sold for cash, 2 pairs of boots at 15/- and 17/6 respectively; Gave Paris Footwear, Ltd., a bill for £50 at 3 m/d. and paid them the hal. of their a/c. by cheque less 5% on the whole amt. due to them on 31st Dec. Paid Office Exs. by cash 14/9. *All amts. recd. were pd. into the Bank on the day of receipt.* Balance the Ledger A/cs. and extract a T.B. N.B.—No P. & L. A/c. or B/S. is to be given. (*Total balances, £1527 7 1.*)

**Ex. 2.** On 31st Dec., 1916, the following T.B. was extracted from the books of the Call Manufacturing Co., Ltd. Nominal Cap. of £20000, divided into 20000 Ord. Shares of £1 each. Prepare Trading P. & L. A/cs. and B/S. (a) 10% Depreciation is to be written off Plant & Machy., and 5% off Furniture & Fittings. (b) The Reserve for Bad Debts is to be made up to an amt. equal to 5% of the Sundry Debtors. (c) Insurance unexpired on 31st Dec., 1916, was £5 10s. 6d. (d) A portion of the premises owned by the Co. was sub-let, as from 1st July, 1916, at an annual rental of £50, but no rent has been paid by the

tenant or passed through the books. (e) The Stock on 31st Dec., 1916, was £4402 1s. 5d.

**Dr. Balances—**

Final Call A/c. ....	£250	-	-
Freehold Premises ....	3200		
Rates, Taxes & Inscs ...	472	10	7
Office & Management			
Salaries .....	1293	10	6
Office Exs. ....	217	13	11
Manufacturing Exs. ....	192	-	4
Stock, 31st Dec., 1915 ...	3714	19	-
Manufacturing Wages ...	6901	1	9
Purchases .....	10617	15	4
Returns Inward .....	307	12	9
Carr. on Purchases ....	471	10	4
do. on Sales .....	314	-	11
Sundry Debtors .....	8617	5	-
Factory Fuel & Power ...	172	19	5
Lighting & Heating ....	74	16	1
Goodwill .....	2000	-	-
Audit Fee & Legal Exs. ....	124	4	9

**Dr. Balances continued—**

Travelling Exs. .. .	£96	4	11
Plant & Machy. . .	1942	13	4
Repairs .. . . .	89	14	9
Furniture & Fittings.....	134	6	8
Cash at Bank .. . .	246	9	10
Cash in hand .. . .	3	4	-
<b>Cr. Balances—</b>			
Cap. A/c. (16000 Shares fully called) .. . .	16000	-	-
P. & L. A/c. (Bal.) 31st Dec., 1915 .. . .	217	5	-
Dis A/c. (Bal.) .. . .	14	7	3
Sales .. . . .	20314	17	10
Returns outward .. . .	196	19	5
Sundry Creditors .. . .	3410	5	9
Bills Payable .. . .	984	8	1
Transfer Fee .. . .	2	6	-
Reserve for Bad Debts ..	315	9	4

**Answer.—Gross Profit, £2535 19 9; Net Loss, £417 5; Total of B/S., £20144 13 10.**

**Exercise 69d. (Royal Society of Arts, Inter., May, 1918.)**

1. What is meant by the term "Solvency" as applied to a trader? Submit a *pro forma* statement demonstrating a condition of solvency. 2. Hugh Dickson accepted a bill (No. 141 for £30) dated 1st Jan., 1918, drawn on him by M. Ravary, payable in three months at the Union Bank, Ltd., London, E.C. Prepare this document as it would appear when duly accepted, and state the tenor and due date of the bill.

Ex. 1. Hugh Dickson has, on 1st Jan, 1918, the following :—  
**Assets** :—Sundry Debtors :—George Roberts, £159 10s.; William Shean, £92 4s.; Oliver Bell, £71; Cash at Bank, £185 10s. 8d.; Cash in hand, £9 17s. 4d.; Loan to W. Olivers, £100; Stock, £421 8s. 7d.; Plant & Machy., £841. **Liabilities** :—Sundry Creditors: Arthur Robertson & Co., Ltd., £524 10s. 8d.; William White & Bros., £185 10s.; Bill payable (due 3rd Jan., 1918), £152. Dickson took his brother George into partnership, the latter paying in £500 as capital. Open Ledger A/cs. to record the above and post through the proper subsidiary books, the following :—1918. Jan. 1. Drew and cashed a cheque for petty cash, £20. Purchased, for cash, stationery, £3 8s. 6d.; stamps, £1 10s.; and string, 10s. Jan. 2. Purchased, on a/c., from A. Robertson & Co., Ltd., goods, £150, less 10% trade dis. Jan. 3. Instructed Bankers to pay the bill payable due this day. Recd. from W. Olivers half-year's int. on his loan at 5%, less income tax at 5/- in the £. Jan. 4. Accepted a bill at three months in favour of White & Bros. for the amount of their a/c. Jan. 5. Purchased, on credit, goods from R. Ravary & Sons, £221 18s. 6d. Sold goods, for cash, £10 15s., and paid same into the Bank. Jan. 7. Returned damaged goods to R. Ravary & Sons, £10 12s. 6d. Jan. 8. H. Dickson drew cheque £25 for private purposes. Jan. 9. Sold, on credit, goods to George Roberts, £284, less 5% trade dis. Jan.

10. Paid wages, in cash, £9 10s. Jan. 11. Purchased, on credit, from the Blank Machinery Co., new machine, £200. Jan. 12. George Roberts paid the a/c. due from him on 1st Jan., less 2½% dis. Jan. 15. Sold, on credit, goods to O. Bell, £150. Jan. 17. O. Bell returned goods, £12 10s., as not up to sample. Paid A. Robertson & Co., Ltd., by cheque £200 on a/c. Jan. 21. Sold goods, for cash, £12 18s. 6d., and paid same into the Bank. Jan. 22. Drew and cashed cheque for Petty Cash, £20. Paid, in cash, wages, £19 15s. 8d., and Repairs to Machinery, £8 6s. 8d. Jan. 24. Recd. cheque from W. Shean for the amount of his a/c., less 5% dis. Jan. 25. Purchased, by cheque, £250 5% National War Bonds. Balance the Ledger A/cs and extract a T.B. No. P. & L. A/c. or B/S. is to be given. (*Total Balances, £3030 16 1*)

**Ex. 2.** George McArthur was in business as a dealer in cinematograph films and sundries. On 1st Jan., 1917, he admitted his manager, Robert Smart, into partnership on the following terms:—Each partner was to be allowed 5% interest on Capital (to be credited to his drawings a/c.), but no interest was to be charged on drawings. Smart's drawings a/c. was to be credited with a salary of £250 p.a. if the profits were sufficient after charging int. on capital. Profits and Losses were to be shared as to two thirds to McArthur and one-third to Smart, and dealt with through the drawings a/cs. On 31st Dec., 1917, the following T.B. was extracted. Prepare Trading, and P. & L. A/cs. for the year ended 31st Dec., 1917, and a B/S.  
 (a) Depreciate Lanterns & Electrical Plant 25%, Furniture & Fittings 10%. (b) The item "Purchases" includes the cost of a film projector, £100, and this item should be transferred to "Lanterns, etc., A/c." (c) The Stock of films and sundries on 31st Dec., 1917, was £7924. (d) The reserve for bad debts is to be made up to an amount equal to 5% on the Sundry Debtors as on 31st Dec., 1917. (e) The office expenses a/c. includes insurance premiums, £40 of which represents unexpired risks, which should be carried forward.

**Dr. Balances—**

G. McArthur, Drawings A/c. . . . .	£562
R. Smart, Drawings A/c. ....	260
Stock (1/1/17) .....	£842
Lanterns & Electrical Plant. . . . .	400
Furniture & Fittings .....	850
Purchases .....	10874
Sales Returns. . . . .	201
Showroom Wages .....	382
Office Salaries .....	875
Sundry Debtors. . . . .	8250
Cash at Bank .....	321
Cash in hand .....	10
Shares in Picture Theatre Co. . . . .	2000
Bills Receivable .....	421
Allowances to Film Renters . . . . .	139
Showroom Expenses .....	312
Advertising .....	1840
Carriage Outwards .....	213

**Dr. Balances, continued—**

Travelling Expenses .....	£195
Showroom Rent & Rates .....	189
Office Exs., Rent, Rates & Taxes .....	944
Electrical Current (Showroom) .....	124
Bad Debts .....	246

**Cr. Balances—**

G. McArthur, Cap. A/c .....	6000
R. Smart, Cap. A/c. ....	1000
Purchases Returns .....	887
Sales of Sundries .....	3204
Rents for Film Hire .....	18278
Res. for Bad Debts (1/1/17) .....	250
Discount & Allowances A/c .....	182
Dividend on Shares .....	200
Sundry Creditors .....	5968
Rents recd. from Sub-Tenants...	50
Loan from Bankers. ....	6000

**Answer.—Gross Profit, £5339; Net Profit, £507; Total of B/S., £19253.**

Exercise 69c. (*Royal Society of Arts, Inter., June, 1919.*)

1. Describe the form and functions of a Bill of Lading. 2. On 29th Nov., 1918, Andoriles Freres, Athens, consigned to W. Raleigh, London, 50 cases Turkish Tobacco, each containing 120 lbs., at 4s. per lb. The consignment arrived in London on 31st Dec., and Raleigh accepted a six months' Bill for half the value of the Tobacco, and took delivery in bond. On 4th Jan., 1919, he sold 30 cases to the John & Adam Cigarette Co. for 5s. per lb., receiving payment same day. On 31st Jan., the purchasers requested Raleigh to take the Tobacco out of bond for them, and gave him a 3 months' Bill for the duty, at 8s. 2d. per lb., paid by him. Show the entries in Raleigh's books necessitated by these transactions.

**Ex. 1.** On 31st Dec., 1918, the X. Trading Co., Ltd., which was registered with a nominal capital of £10000, consisting of 10000 ordinary shares of £1 each, had issued 8000 shares, which were fully paid, with the exception of 5s. per share on 500 shares. The Co. had issued ten 6%, Debentures of £100 each. The following balances appeared in the books:—Freehold Premises, £4672; Stock £2115; P. & L. A/c. Debit Balance, £962; Bank Overdraft, £647; Cash, £19; Plant & Fixtures, £1467; Due by:—A. Age, £125; E. Ewart & Co., £92; F. Frost, £401; Due to:—B. Brown, £147; C. Cook & Co., £106; D. Drabble, £18; Debenture Holders,  $\frac{1}{2}$  year's Interest, £30. Open Ledger A/cs. to record the above and post through the proper subsidiary books the following. All moneys recd. were pd. into the bank on the day of receipt, and all payments, except where otherwise stated, were made by cheque. Balance Ledger A/cs. and extract a T.B. No P. & L. A/c. or B/S. is to be prepared. 1919. Jan. 1. Pd. Debenture Int. (less Income Tax at 6s.). Sold, on credit, 3 gross of articles at 6s. a doz. to F. Frost. Jan. 2. Gave C. Cook & Co. a bill at 3 mos. for amt. due to them. Sold A. Age, on credit, 500 articles at 2/6 each, less trade dis. of 10%. Purchased from B. Brown, on credit, goods to the value of £497, and pd. him £250 on a/c. Jan. 3. Borrowed £2000 from the Bank, lodging as security the deeds of the premises. Recd. from E. Ewart & Co. the amt. due from them, less  $2\frac{1}{2}\%$  dis. Pd. by cash, office exs., £2 10s. Purchased for cash, fixtures, £14. Jan. 4. Recd. from A. Age amt. due on 31st Dec., 1918, less  $2\frac{1}{2}\%$ . Drew and cashed cheque for cash purposes, £50. Pd. wages by cash, £39. Jan. 6. A. Age returned 47 articles sold him on the 2nd, and was given a credit note. F. Frost pd. £400 on a/c. Jan. 7. Gave B. Brown a bill at 2 mos. for the amt. due to him, plus 5% by way of Int. Jan. 8. Purchased from B. Brown, on credit, 12 gross articles, at 12s. a gross. Sold F. Frost, on credit, goods to value of £50. Pd. £55 Sch. A. Income Tax, due 1st Jan., on the premises. Pd. by cash, cartage charges, 30s. Jan. 9. Purchased goods, on credit, from G. Graves, to value of £150, paying him 25% on delivery. Returned to B. Brown  $\frac{1}{2}$  gross of articles purchased from him on the 8th, and recd. a credit note. Pd. D. Drabble amt. due to him, less 5% dis. (*Total Balances, £11824 5s.*)

**Ex. 2.** From the following Trial Balance of a Limited Co., prepare Trading, and P. and L. A/c's. for the yr. ended 31st Dec., 1918, and a B/S. (a) Stock on 31st Dec., 1918, valued at £2992 9s. 7d. (b) Depreciation to be written off:—Plant & Machy. 10%, Fixtures & Fitings 5%, Horses & Carts £100. (c) Reserve for Bad Debts to be created amounting to 5% of the Sundry Debtors. (d) Rates & Insurance unexpired on 31st Dec., amounted to £19. (e) A Commission of 1% on the Gross Profit to be credited to the Works Manager, and a Commission of 5% on the Net Profit (after charging the Work's Manager's Commission) to be credited to the General Manager.

**Dr. Balances—**

Plant & Machy .....	£1072 10
Manufacturing Wages ..	819 12
Salaries .....	1736 10
Fixtures & Fitings ..	917 6 8
Carriage Inwards ..	169 4 7
Carriage Outwards ..	215 6 11
Freethold Works ..	2500 -
Manufacturing Exs ..	915 14 3
Rates, Taxes & Incor. ..	417 10 10
Goodwill .....	3000 -
General Expenses .....	214 5 -
Factory Fuel & Power ..	127 10
Sundry Debtors ..	7814 10
Lighting & Heating ..	69 14 7
Stable Expense .....	247 6 11
Stock, 31st Dec. 1917 ..	3117 4 9
Horses & Carts .....	516 10

**Dr. Balances, continued—**

Purchases .....	£9716 10
Sales Returns .....	315 10 -
Director A/c .....	92 4 1
Bad Debts .....	149 2 6
Int. & Bank. Charges .....	47 10 -
Cash at Bank .....	754 1 5
Cash in hand .....	14 10 2

Cr. Balances —	
Cap (Nominal 10000 Shares of £1 ea.)	8000 Shares
fully paid .....	8000 -
Sundry Creditors .....	6116 10 -
P & L A/c (31 Dec. 1917) ..	743 6 -
Bank Loan .....	1000 -
Purchases Returns .....	114 5 11
Sales .....	24141 14 5

**Answer.**—*Gross Profit, £9000, Net Profit, £4545 15s.; Bal. of Profit, £5061 15s. 3d; Total of B/S., £19795 11s.*

**Royal Society of Arts (Stage I., 1914.)**

1. Explain the meanings of the following terms and abbreviations:—Days of Grace, Bad Debt, Depreciation, Above Par! P/N., C.O.D. 2. Give one example, and record a few items therein, of each of the following kinds of account:—(1) Personal, (2) Real, (3) Nominal.

3. On Jan. 1st, 1914, Henry Cross found that the balance standing to his credit in his Banker's Pass Book amounted to £152 10s. 1d., while the balance at the Bank on that date, according to his Cash Book, amounted to £150 10s. Upon examination he found that a cheque for £25, which he had paid in on Dec. 30th, 1913, had not yet been collected and placed to his credit in his Pass Book, and that a cheque for £27 6s. 1d., which he had drawn on Dec. 29th, 1913, had not been presented by the Payee for payment. From the above prepare a Statement reconciling the two balances, and commonly called a "Reconciliation Statement."

4. Rule a columnar Petty Cash Book containing provision for the following headings:—Postage, Telegrams, etc., Carriage, Office Expenses, Stationery, etc., Travelling, Salaries & Wages, Sundries. Record the transactions therein, bring down the balance as on Dec. 6th, 1913, and enter the amount which should be received from the Cashier to make up the amount of the

"Imprest," viz., £20. Dec. 1. Received from the Cashier a cheque (which was cashed) for £12 8s. 7d., the amount required to make up the amount of the "Imprest," viz., £20. Purchased Stamps £1 10s.; Paid Office Cleaner 5s.; Dec. 2 Purchased Stationery 12s.; Paid for telegram to J. Brown 1s. 8d.; Purchased new Office Stool 12s.; Dec. 3 Paid for fares to Chiswick 1s.; Paid A/c. for Telephone Trunk Calls for Nov £1 18s. 9d.; Dec. 4. Paid Carriers' A/c. £1 2s. 4d.; Received from Inland Revenue for Spoiled Stamps £1 8s. 6d., Paid for insertion in Directory 5s.; Paid for Return Fare to St. Albans 3s. 10d.; Purchased Packing Materials £1 19s. 4d.; Dec. 5. Paid Window Cleaner 6s. 6d.; Purchased Pens and Pencils 5s. 3d.; Dec. 6. Paid wages to two casual men at 5s. per day each for three days; Paid Salaries to Office Boy and Typist £1 10s.

5. Show, by means of Journal Entries, which accounts would be debited and credited respectively in the books of John Brown, Blouse Maker, in order to correctly record the following trans actions, which took place in connection with his business in Oct., 1913:—Received from Geo. Higgs his Acceptance for £20, payable three months after date, in settlement of his a/c. (£20 3s. 4d.), and allowed him the balance of 3s. 4d. as discount; Received from H. T. Pearce a sewing machine at an agreed value of £8, as part payment of his a/c.

**Exercise.**—The following was the B/S of Henry Coulthard, a Waste Rubber Merchant, as on Jan. 1st, 1914.—Assets: Machy., Fixtures & Fittings £120. Sundry Debtors —A. Coats £72, S. Wilcox £21, B. Vickers £8. Stock in hand £296. Cash in hand £15. Liabilities: H. Coulthard's Cap. A/c. £361. Sundry Creditors:—F. Nelson £96, G. Harrod £48, T. Arnold £24, Bank Overdraft £6. Open Coulthard's Ledger with the above; and post thereto, through the proper books of original entry, the following:—Jan. 1. Purchased on credit, from T. Arnold, half-ton of Motor Inner Tubes at £26 per ton; Received cheque (which was paid into the Bank) from A. Coats for £70, and allowed him the balance of his a/c. as discount; Sold, for cash, 5 cwt. of ground rubber at £1 17s. 4d. per cwt.; Jan. 2, Sold, on credit, to B. Vickers, 1 ton of Cab Tyres at 10s. per cwt.; Sold, for cash, half-ton of ground rubber at £23 2s. per ton; Jan. 3, Paid T. Arnold, by cheque, the amount of his a/c. as on Dec. 31st, 1913, less 10% discount; Sold, on credit, to S. Wilcox, 2 tons of Bus Tyres at £12 per ton, and received cheque from him for the amount of his a/c. as on Dec. 31st, 1913, less 5% discount; Drew cheque for £5 for private purposes; Jan. 4, B. Vickers returned, as unsuitable, half-cwt. of the rubber invoiced to him on the 2nd inst. Sent him a credit note for same; Sold for cash, 6 cwt. of Inner Tubes at 38s. 6d. per cwt.; Jan. 5, Paid in Cash, Wages £10 16s. 4d. (including Insurance Stamps); Paid G. Harrod cheque for £18 on a/c.; Purchased, on credit, from F. Nelson, 2 tons of Cab Tyres at £41 10s. per ton, including charge for bags; Paid Cash for Sundry Trade Expenses, £9 12s. 4d.; Jan. 6, Purchased a Weighing Machine for £12 from

H. Jackson, and paid him by cheque; Returned to F. Nelson 20 empty bags, and received credit note from him for 6s. 8d.; Paid into Bank from Cash, £21 9s.; Balance the Ledger A/cs., bring down the balances, and extract a Trial Balance.

**Royal Society of Arts. (Stage I., May, 1915.)**

1. Explain the following terms and abbreviations:—Drawings, Voucher, Premium, c.i.f., f.o.r., I.O.U. 2. G. G. Griffiths & Co., Ltd., wish to remit, by cheque upon the Stedfast Banking Co., Ltd., of London, the sum of £200 to John Angus Macgregor, who has a Banking A/c. with the Highland and Lowland Bank at Edinburgh. Draw this cheque in a form which will render it difficult for a thief to deal fraudulently with it. 3. Briefly explain the uses of the following commercial documents, as employed by a merchant, and state in which of his books particulars concerning them would be found:—(a) An Invoice, (b) A Credit Note, (c) A Statement. 4. George Carpenter and Frederick Carver buy from and sell to each other. At the end of every month they have a settlement and each allows the other 5% dis. On Dec. 31, Carpenter owed Carver £60 for goods supplied and the latter owed Carpenter £40. Show Carver's a/cs. in Carpenter's books as on Dec. 31, 1914, assuming that the monthly settlement had taken place.

5. The following Trial Balance was extracted from the books of a firm. Although the totals of the debit and credit columns agree arithmetically, the Trial Balance is incorrect. Correct and redraft it.

**Dr. Balances—**

Plant & Machinery	£500
Sundry Debtors	200
Purchases	700
Wages	200
Expenses	300
Returns Outwards	100
Cash in hand	50
Bank Overdraft	350

**Cr. Balances—**

Capital Account	£550
Stock	250
Sundry Creditors	300
Sales	1100
Goods returned by customers	200

**Exercise.** On Jan. 1, 1915, Mr. Bennett Prentice purchased the business of a boot & shoe dealer for £500. The assets acquired consisted of: Stock, £200; Lease, Fixtures, Fittings & Furniture, £300. He borrowed £400 from his father (Glover Prentice); and, after paying for the above assets, he had £100 left in the Bank. Open a/cs. to record the above in B. Prentice's Ledger, and post thereto, through the proper subsidiary books, the following:—Jan. 1, Cash Takings, £2 9s. 6d.; Jan. 2, Purchased on credit from Mr. W. Whitaker, 2 doz. prs. of brown brogue shoes at 8s. 6d. per pr.; Purchased for cash brown paper, boxes and string (shop expenses) £1 13s.; Sold on credit to Mr. B. T. Browne, 1 pr. of boots £1 1s., 1 pr. of dress shoes 6s. 6d., and 6 prs. of boot laces at 2d. per pr.; Cash Takings, £6 6s. 9d.; Jan. 4, Bought, and paid for by cheque, 6 shop chairs at 10s. 6d. each; Purchased on credit, from C. M. Moore & Sons, 1 doz. prs. of ladies' boots at 10s. 6d. per pr.; 1 doz. prs. of children's boots at 5s. 6d. per pr., 1 doz. prs. of gent's

spats at 3s. 6d; per pr.; Cash Sales, £2 6s. 3d.; Drew cash for personal use, £3; Jan. 5, Mr. B. T. Browne returned the dress shoes, sold to him on the 2nd and bought on credit, one pr. of bedroom slippers, 3s. 6d., and one pr. of spats, 4s. 6d.; Sold on credit to Mr. S. A. Field, 1 pr. of military marching boots, £1 5s., and 1 pr. of puttees, 7s. 6d.; Returned to Mr. W. Whitaker, 2 prs. of brown brogue shoes, purchased on the 2nd—wrong sizes; Cash Takings, £6 6s. 4d.; Jan. 6, Paid Wages in Cash £1 9s. 6d.; Paid Mr. W. Whitaker's a/c., less 2½% dis.; Mr. B. T. Browne paid his a/c. (less 5% dis.) by cheque which was paid into the bank; Cash Takings, £4 1s. 10d.; Jan. 7, Paid cash in hand into Bank, less £5 retained for incidental expenses. Balance the Cash Book and Ledger as on Jan. 7, bring down the balances, and extract a Trial Balance.

Royal Society of Arts. (*Stage 1, May, 1916.*)

1. Explain the following :—Rebate, Manifest, Carriage Paid, c.i.f., P/N., F.O.B. 2. Prepare the Invoice which would be sent by Messrs. Norman, Saxon & Co., of 592 Poultry, Manchester, to Mr. Alfred Winchester, 109 West Place, London, E.C., to whom they sold 12 dozen Men's Felt Hats at 42/- per dozen. The goods were dispatched on 1st Feb., 1916, carr. paid. Terms 2½% for cash in one month. Submit also the Statement which would be rendered at the end of the month, assuming that the above was the only transaction between the parties.
3. What is a Balance Sheet? Is it a Ledger A/c.? 4. Journalise the following transactions :—(a) Accepted Joseph Gold's Bill for £50 at 3 mos. (b) Accepted three Sewing Machines, value £10, in part payment of Messrs. Ellis & Walker's account. 5. Why does the balance of a Bank Pass Book frequently disagree with the Bank balance as shown by the Cash Book on the same date? Illustrate your answer.

**Exercise.** These balances appeared in the books of Madame Lucie Mansfield, Milliner, on 31st Dec., 1915 :—Debits: Fittings & Furniture, £40; Stock, £46; Debtors: Mrs. Brown, £10; Mrs. Jones, £15; Cash in hand, £5; Cash at Bank, £19; Credits: Loan (S. Everard), £60; Interest due thereon, £3; Creditors: Peters & Myers, £27; Hall & Huggins, £10; Rent for Dec. quarter, £15; Profit for year ended 31st Dec., 1915, £20. Open a/cs. to record the above in the Ledger, and post thereto, through the proper books of original entry, the following :—1916. Jan. 1. Purchased on credit from Hall & Huggins, 6 yds. tulle at 2/11 per yard; 12 yds. velvet at 3/11 per yd.; Pd. Wages, £2 19s. in cash; Pd. District Messenger 2/6 in cash; (Debit Trade Exs.); Mrs. Brown pd. her a/c. by cheque (which was paid into Bank) plus 5% inst.—her a/c. being long overdue. Jan. 3. Madame Mansfield paid £100 into her a/c., and drew a cheque for the loan and int. due to S. Everard on 31st Dec., 1915; Sold on credit to Mrs. Jones two hats, one at £3 3s., and one at £2 12s. 6d.; Sold three hats for cash at £2 2s. each; Bought one dozen hat boxes for cash at 5d. each; Pd. by cheque

Balance the Cash Book and Ledger as on 6th Jan., 1917, and extract a Trial Balance. No. P. & L. A/c. or B/S. is to be given.

**Royal Society of Arts. (Stage 1, May, 1918).**

1. Explain the following :—(a) Sole Trader, (b) Drawings, (c) Consignment, (d) Inc/tax, (e) F.A.A., (f) Div. 2. What is the object of preparing a Balance Sheet? Submit a pro forma Balance Sheet and report briefly upon the financial position of the trader to whom it belongs. 3. Should the undermentioned items be entered in the Trading A/c. or in the P. & L. A/c. :—(a) Stock in Hand, (b) Carriage on Sale, (c) Discount on Purchases, (d) Sales Returns, (e) Expenses of Travellers. 4. What is the object of crossing a cheque? Give three specimen crossings and state the object of each. 5. What is a "Reconciliation" Statement? Explain how it is prepared and give an illustration.

**Exercise.** M. Ravary started business, as a tea merchant, in 1917. On 1st Jan., 1918, his balances were as follows :—Assets : Bank, £316 10s. 4d.; Cash, £10 2s. 7d.; Office Furniture, £100; Tea, £185 10s. 6d.; Debtor : H. Dickson, £95 0s. 7d. Liabilities : Loan from R. Smith, £100; Creditor, P. Peach, £78 9s. Open a/c/s. to record the above in the Ledger, and post thereto, through the proper books of original entry, the following :—1918  
 Jan. 2. Pd. by cheque int. for  $\frac{1}{2}$  year at 5% due on loan from R. Smith. Jan. 4. Pd. wages in cash, £7 4s. 6d.; Drew and cashed petty cash cheque, £25. Jan. 5. Bought on credit from P. Peach, 40 chests of tea at 80/- per chest, less 10% trade dis. Jan. 8. Sold on credit to H. Dickson, tea £22. Jan. 9. Bought for cash a second hand office desk, £6 10s.; Sold on credit to W. A. Richardson, tea to the value of £82. Jan. 11. Pd. wages in cash, £8; Bought for cash, stationery and string, £3 8s. 2d. (charge to office expenses a/c.). Jan. 12. H. Dickson returned one chest of tea as damaged. Credited him with 90/-, the value thereof. Jan. 14. Sold on credit to H. Dickson 10 chests of tea at 90/- per chest. Jan. 16. Pd. R. Smith, cheque, £100 4s. 2d., being repayment of loan with int. to date. Jan. 17. Recd. a bill at 3 mos. from H. Dickson for the amt. due from him, less  $2\frac{1}{2}\%$  dis. Jan. 18. Bought on credit from P. Peach, 32 chests of tea at 82/- per chest net; Pd. P. Peach £100 on a/c by cheque. Jan. 21. Pd., in cash, travelling exs. £2 8s. 6d. (charge to office exs. a/c.); Recd. cheque from W. A. Richardson in payment of his a/c., less  $2\frac{1}{2}\%$  dis. Jan. 22. Sold on credit to H. Hartman tea, £92 4s. 10d. Balance the Cash Book and Ledger as on 22nd Jan., 1918, and extract a Trial Balance. No. P. & L. A/c. or B/S. is to be prepared.

**Royal Society of Arts. (Stage 1, May, 1919).**

1. Briefly explain the following :—Bad Debts; Imprest; Payee; c.i.f.; E. & O.E.; C.O.D. 2. What is a "Reconciliation Statement," and with what object is it prepared? Illustrate your answer by employing the following particulars :—Cash at

Bank at per Bank Pass Book on Dec. 31, 1918, £100; Cash at Bank as per Cash Book on Dec. 31, 1918, £110; Cheques drawn prior to Dec. 31, 1918, not in Bank Pass Book, £20; Cheques paid in prior to Dec. 31, 1918, not in Bank Pass Book, £30.

3. The following is a copy of Frederick Hamilton's a/c. in Leonard Maxwell's ledger.—

Dr.	Frederick Hamilton.	Cr.
1918		
Dec 1 To Balance .....	£ 28 -	1918
" " Goods .....	10 -	Dec 10 B/s Cash .....
" " do .....	6 -	" 10 " Discount .....
" " do .....	14 -	" 10 " Returns .....
" " Cart. on Goods .....	1 -	" 31 B/R .....
	<b>£ 50 -</b>	" 31 Balance c/d .....
	<b>0 -</b>	<b>9 -</b>
Dec 31 To Balance b/d . . .	<b>0 -</b>	<b>30 -</b>

Show the entries which Hamilton would make in his books to record his transactions with Maxwell, giving the latter's a/c. as it would appear in Hamilton's ledger.

4. Name a few circumstances which would entitle a trader to return goods purchased by him to the seller. How are goods so returned treated (a) in the books of the purchaser, and (b) in the books of the seller? 5. State what a/cs. would be debited and credited in Geo. Robertson's books for the following transaction:—Send Marston & Younger a cheque for £1 3s. 2d for div. deducted when paying their a/c. Recd. a cheque for £10 from the Official Receiver on account of a debt which had previously been written off as a bad debt. The Oise and Narne Trading Co., Ltd., being unable to pay its debts, gave G. Robertson £100 Debenture Stock in settlement of his account of £90. The Debenture Stock was subsequently sold by G. Robertson for £60.

**Exercise.** Alexander Goodchild commenced business as a Manufacturing Costumier on 1st Jan., 1919, with £500 in the bank. He had installed sewing machines, valued £60, purchased from the Sterne Manufacturing Co., for which he had given a three months' Bill dated 1st Jan., 1919. His stock amounted to £125, which he purchased on 31st Dec., 1918, from Mrs. Spencer & Co., and had not paid for. Open his ledger as at 1st Jan., 1919, with the above particulars, and post thereto, except the proper books of original entry, the following:—  
 Jan. 1. Drew and cashed cheque for £20 for office cash;  
 Paid cash. £1 15s., for carriage on sewing machines;  
 Paid on credit 100 yds. of blue serge at 15s. 6d. per  
 yard on credit from Brown & Co. Jan. 2. Bought on credit 70 gross  
 pearl buttons at 10s. 6d. per gross from A. Cillini &  
 Paid in cash, £2 15s., makers' wages; Sold on credit to  
 Mrs. Teene & Co., 1 doz. ladies' covert costumes, at £4 15s.  
 Jan. 3. Purchased by cheque, from Johnson & Jenson,  
 other material amounting to £15. Purchased by cheque,

from the Town Furnishing Co., sundry fixtures and fittings for £70. Jan. 4. Paid Sharp, Spencer & Co. cheque, amount of their a/c., less 2½% dis. Jan. 6 Sold on credit to Montague Hyams, 3 doz. ladies' blue serge costumes, at £5 5s. each; Pd. cash, makers' wages, £3 15s. Jan. 7 Drew and cashed cheque for £20, to replenish office cash; Hislop, Toone & Co. paid their a/c., less 5% dis., by cheque, which was paid into Bank. Jan. 8. Purchased by cheque, from the Hervey Engineering Co. 1 cutting machine for £45; Montague Hyams returned as faulty 6 ladies' blue serge costumes sold him on the 6th inst. Balance the Cash Book and Ledger as on 8th Jan. 1919, and extract a Trial Balance. No P. & L. A/c. or D/S is required.

Lancashire & Cheshire Union (*Turner, 1913*)

**Part I.** 1. Explain the meaning of the following (a) Dating forward. (b) Suspense A/c. (c) Fixed charges. 2. What is a profit and loss a/c., how is it made up and from what a/cs., and what does the balance represent? How would you deal with the final balance? 3. What do you understand by the term "Interim Dividend"? 4. Journalise the following.—(a) William Smith, balance due from him irrecoverable, £27 10s. (b) Depreciation on office furniture, 5% on £50 10s. (c) Rates and taxes due but not paid, £10 13s. Id. (d) Sold for cash, £50, an old machine which stands in the private ledger at £165. 5. What is understood by the terms:—(a) "Fixed Assets." (b) "Wasting Assets"?

6. B. Lindley received from W. Simpson 100 pianos invoiced at £20 each to sell on Simpson's a/c. B. Lindley paid freight £100, Insurance £75, Storage £50. He sold them for cash at an average price of £30 each less 5%. Lindley's commission for selling was fixed at £250. How would Simpson's a/c. appear in Lindley's ledger?

**Part II.** 7. The position of Henry Clay on the 1st Feb., 1913, was as follows:—**Assets.** Cash in hand, £13 4s. 7d.; Cash at bank, £287 13s. 6d.; B/R. due 22nd Feb., £55; Joe Watson, £18 14s. 11d.; Wm. Diver, £19 10s. Id.. Office Furniture, £34 8s. 6d.; Goods on hand, £487 15s. **Liabilities.** Stephen Hirst, £175 14s. 2d.; David Haynes, £263 5s. Enter in the books, post, and take out T.B.

Feb. 1.	Sold Goods to Joe Watson . . . . .	£120 2 6
" 2.	Recd. B/R. at 2 months from Wm. Diver ...	48 10 1
" 4.	Bought Safe for Office and paid Cheque ...	10 - -
" 7.	Sold Goods to Peter Gibbs for Cash . . . . .	57 10 -
	Paid into Bank .....	60 - -
" 10.	Drew Cheque for Office Cash . . . . .	30 - -
	Paid Wages and Salaries in Cash .....	18 15 6
" 12.	Bought Goods from Stephen Hirst .....	48 10 6
" 13.	Paid Haynes by Cheq. which settled his a/c.	252 - -
" 16.	Recd. Cash from Joe Watson and paid it into Bank same day £18 4s. Allowed Dis. . . . .	- 10 11
" 19.	Sold Goods to Wm. Diver ... . . . . .	64 3 7
" 21.	Gave Steph. Hirst on a/c. my acceptance for	144 4 8
	Paid into Bank B/R, due on the 22nd inst,	55 - -

Feb. 24.	Bought Goods for Cash .....	£17 - -
	Paid Rates by Cheque .....	10 10 -
	Wm. Diver returned Goods .....	12 3 -
,, 28.	Hy. Clay drew a Cheq. for private purposes	15 10 -
	Charge depreciation of Office Furniture ...	1 8 6
	Carriage due but not paid .....	5 16 9

Part III. 8. Close the a/cs., bring down balances, make out P. & L. A/cs. and B.S. Stock on 28th Feb., 1913, £419 4s. 3d.

Lancashire & Cheshire Union. (*Junior, 1914.*)

Part I. 1. Is the fact that a trial balance "agrees" conclusive evidence that all transactions for the period are correctly entered in the books? Illustrate your answer. 2. What is meant by "renewing" a bill? A receives a bill of exchange from B for £100, and discounts it with his bankers. On the bill becoming due B requests A to renew it, which A does, adding £2 to the new bill for interest. What entries will be necessary in A's books when the bill is renewed? 3. What do you understand by:—(a) A composition, (b) Turnover, (c) Liquid assets. 4. Show a ruling for a departmental sales book suitable for a business with three departments in which are sold cotton, woollen, and silk goods respectively. Give three specimen entries. 5. What is the difference between a "sale" and a "consignment"?

6. In which ledger accounts and on which side of such accounts would you expect to find the following transactions? :—(a) £40 paid for a horse & cart. (b) £60 recd. as commission for selling goods received on consignment from Charles Lemur. (c) £100 lent to Thomas Frost at 5% interest. (d) £15 recd. from the trustee in bankruptcy of Tim Thaw, being a supplementary dividend. Thaw's a/c. had been closed for some years.

Part II. Moses Myers' position on the 1st Jan., 1914, was as follows :—*Assets* :—Cash in hand, £12 10s.; Cash at bank, £189 12s. 8d.; Stock-in-trade, £363 15s.; Bills Receivable, due 17th Jan., £80 10s.; due 19th Feb. £48; Alfred Smith, £39 12s. 6d.; Jacob Rose, £18 3s. 2d.; Warehouse Fixtures, £50. *Liabilities*—Shaw & Sons, £86 9s. 4d.; Bill Payable, due 12th Jan., £65 14s. Transactions for the month :—

Jan. 1.	Recd. cheque from Jacob Rose in settlement of his a/c., and paid same into bank .....	£17 14 1
" 3.	Sold goods to Alfred Smith .....	21 8 6
" 5.	Recd. B/E. at 3 mos. from Alf. Smith on a/c.	50 - -
" 6.	Gave Shaw & Sons bill recd. from Alfred Smith, £50, and cheque for £34 6 1; dis- count £2 3 3, total .....	86 9 4
" 8.	Drew cheque for cash .....	25 - -
	Bought goods from Abe Worth for cash .....	14 2 6
" 12.	Met bill due this date by cheque .....	65 14 -
" 15.	Sold goods to Jacob Rose .....	94 13 4
" 17.	B/R. due this date duly met at bank .....	80 10 -

Jan.21.	Paid warehouse wages in cash .....	£14 10 -
" 24.	Drew a cheque for household expenses .....	12 5 -
" 25.	Sold goods to Alfred Smith ... .	82 6 8
" 27.	Bought goods from Tom Mack. .... .	69 10 -
	Alf. Smith returned half the goods sold him on the 24th as being damaged	
	Gave Tom Mack a 2 months' bill on a/c for ..	35 -
	Paid gas and water a/c, in cash .....	2 5
" 31.	Charge depreciation of warehouse fixtures .....	6 4
	Credit cap. a/c with int. at 5% per ann .....	2 14 2
	One month's rent of warehse due but not pd .....	5 8 4

Record the above in the proper books, post to Ledger, and take out Trial Balance

**Part III.** From the foregoing close the a/cs bring down the balances, and make out P. & L. A/c and B.S. On the 31st Jan., 1914, the stock was valued at £337 8s 8d

#### London Chamber of Commerce. (*January, 1913*)

1. On March 31st, 1912, the balances in the books of A. Woodall, trading as the Boro' Brick Co after all adjustments had been made were.—1 freehold Property £12,000, Kilns, Buildings, Fixed Plant & Machinery, £5250, Loans on Mortgage @ 4%, £10,000; Rolling Stock, Loose Plant & Stores £1237 10s. B/P.; Eastern Machy. Co. due April 24/12, £200, Eastern Machy. Co. due May 24/12, £200, Eastern Machy. Co. due June 24/12, £200, B/R.; A. Bear, due April 6/12, £113 3s. 6d.; A. Bear, due June 6/12, £113 3s. 6d.; C. Strike, due April 15/12, £293 5s., Sundry Creditors, Earl & Co. £15 6s; Duke & Sons £332 10s.; Dark Forge Co. £219 13s. 4d., Eastern Machinery Co. £168 0s. 8d., Beale & Co. £288 10s., Stock of Bricks £550; Interest due on Mortgage £100. Sundry Debtors, Builders' Supply Co. £58 6s. 8d., A. Bear £153 2s. 6d., C. Strike £111 1s. 4d.; G. Dimmick £271 19s. 6d. Reserve for Discounts & Bad Debts £250. Cash at Bank £33 2s. Cash in hand £4 4s. State the above in the form of a Balance Sheet, showing A. Woodall's capital. 2. Open the Ledger with the above balances. Enter the transactions in the proper subsidiary books, post, balance (bringing the balances down), and extract the T.B. Beale & Co had contracted to deliver 1,200 tons of coal at 16/- per ton. Delivery to be made as and when desired by A. Woodall on or before 30th June, 1912. Payment to be made net monthly on the 10th of each month following delivery.

- Apr 1. Paid by cheque, Interest due on Mortgage (less tax).  
Sold to Builders' Supply Co. 400,000 Best Bricks @ 30/- per 1,000 delivered.  
,, 5. Drew chq. for Salaries, Wages & Small Payments, £150.  
,, 6. A. Bear's acceptance duly met at Bankers.  
,, 8. Beale & Co delivered 100 tons of Coal under contract.  
,, 10. Recd. cheque from Builders Supply Co., £58 6s. 8d., and their acceptance dated April 10th at two mos. for bricks sold to them on April 1st.

- Apl. 10. Paid by cheque the following Accounts :—Beale & Co. (amt. now due); Dark Forge Co. on account £100; Eastern Machy. Co., less  $2\frac{1}{4}\%$  dis.; Earl & Co. net.
- ,, 12. Drew chq. for Salaries, Wages & Small Payments £150. Bot. of Earl and Co. 100 yards Sea Sand @ 5/6 per yd. Carr & Sons entered into a contract to purchase 1,000,000 bricks at 18/- per 1,000 in yard. Delivery to be made as desired by Carr & Sons on or before 31st July, 1912. Payment to be made on the 20th of each month following delivery.
- ,, 13. Bankers placed to credit of a/c. proceeds of accept'ce of Builders' Supply Co. under dis. at the rate of 6% p.a.
- ,, 15. Sent to Duke & Sons acceptance at two months from this date for the amount due.  
Bot. of Dark Forge Co. :—Sundry Hooks and Chains £23 3s. 4d., Wire Rope £4 8s. 8d.
- C. Strike's acceptance duly met at Bankers.
- ,, 19. Recd. from C. Strike his acceptance dated April 17th at 2 months for the amount of his a/c., which was at once placed under discount at the Bankers, who charged £2 16s. 4d.
- ,, 20. Sold to C. Strike :—100,000 Best Bricks @ 30/- deliv'd.  
150,000 Seconds @ 24/- do.  
Drew chq. for salaries, Wages & Small Payments £150. Beale & Co. delivered 100 tons Coal under contract.
- ,, 22. Bought from G. Dimmock :—2 Horses for £45, Stock of Fodder for £25.
- ,, 24. G. Dimmock pd. by cheq. the amount due by him, net. Eastern Machy. Co.'s draft duly paid by Bankers.
- ,, 26. Drew chq. for Salaries, Wages & Small Payments, £250.
- ,, 27. Beale & Co. delivered 50 tons Coal under contract.  
Agreed to accept from A. Bear a composition of 15/- in the £ on the amount of his total indebtedness, to be paid as to one-third in cash and the balance in equal guaranteed acceptances at 1 and 2 mos. respectively. The amount to be paid in cash was received and duly paid into the Bank.
- ,, 30. Recd. from A. Bear two acceptances dated April 27th in accordance with the terms of the composition.  
Recd. from Midland Rly. Co. account for carriage of bricks, £288 6s. 8d.

The delivery books showed that Carr & Sons had, during the month, taken delivery of 300,000 bricks. The payments out of Cash during the month were :—Wages of Labourers and Burners £362 18s.; Wages of Engineers & Mechanics £54 6s. 6d.; Wages of Carmen £33 16s.; Salaries £36 12s. 6d.; Oil Waste, &c., £12 13s. 3d.; Repairs to Machinery £5 9s. 8d.; Upkeep of Kilns £18 3s. 9d.; Horse Keep £42 8s.; Trade Expenses, Stationery, &c., £8 8s. 4d.; Personal Drawings £108 8s.

3. What are the advantages of Book-keeping by Double Entry? State the books generally employed and explain their uses. 4. Explain the following terms :—Account Payee, Bill of Entry, Dock Warrant.

London Chamber of Commerce. (*Junior, 1914.*)

1. Messrs. G. Brown and M. Letts carried on business in partnership. On 3rd Jan., 1914, after taking stock and making adjustments, their books disclosed Assets and Liabilities as follows:—Bills payable: A. Jones, due Jan. 8, £351 6s. 8d.; C. Lesley, due Jan. 22, £233 5s. 2d.; C. Lesley, due Feb. 22, £233 15s. Id.; Sundry Creditors on open a/c/s.: C. Lesley, £163 2s. 1d.; G. Lea, £293 18s. 7d.; Gas A/c. £9 18s.; Electric Light A/c. £10 2s.; Goodwill, £950; Cash at City Bank, £825 1s. 1d.; Sundry Debtors on open a/c/s.: H. Eadie, £201 19s.; L. Wem, £421 17s. 6d.; Raymond & Lingley, £198 3s. 4d.; Stock on hand, £1860. There was a contingent liability for bills under discount at the City Bank, viz.:—H. Eadie, due Jan. 15, £231 18s. 4d.; L. Kent, due Jan. 20, £94 6s. The capital was apportioned as to three-fifths to G. Brown and two-fifths to M. Letts. Open the Ledger. The custom of the firm was to make all entries in a rough diary from which they were entered into the proper subsidiary books and duly posted to the Ledger. At the close of each month a Trial Balance was made. The following entries appeared in the diary for the month of Jan., 1914. Perform the work which would be done by the book-keeper. *All cheques were paid into the bank, but cash receipts were used for small cash payments.*

- Jan. 6. Sold to L. Wem: 80 prs. Witney Blankets @ 29/6 a pr. (invoice for which was dated forward to March, 1914). 42½ doz. Serviettes @ 8/- a doz. 12 doz. Linen Tea Cloths @ 3/9 each. Packing 10/-. A Receiving Order in Bankruptcy made against L. Kent. Meeting of creditors at Bankruptcy Buildings on 14th inst.
- " 7. Sold for cash, job lots of nainsook: 3 pcs. 24 yds. each @ 6½d. a yd. 4 pcs. 20 yds. each @ 5½d. a yd. 12 pcs. 24 yds. each @ 5½d. a yd.
- " 8. Consigned to A. Bergen, of Trondhjem: 50 prs. of Blankets @ 32/6 a pr. 50 prs. of Blankets @ 29/6 a pr. 40 prs. of Blankets @ 26/3 a pr. A. Jones' bill met at Bankers.
- " 9. Purchases from A. Jones: 100 prs. Blankets @ 21/6 a pr. 30 prs. Blankets @ 19/4½ a pr.
- " 10. Paid Wages £7 12s., handed to Petty Cash Clerk £3.
- " 12. Drew at 3 mos. on L. Wem for the amount of his open a/c. now due.
- " 14. L. Kent adjudicated bankrupt. Liabilities, £4300, Assets, nil. H. Eadie paid by cheque the amount of his a/c., less 5% dis.
- " 15. Recd. L. Wem's acceptance, which was placed under dis. at the City Bank, who charged for dis. £4 14s.
- " 17. Drew cheque for cash, £9 12s. Paid wages, £7 12s. Handed to Petty Cash Clerk, £2.
- " 19. Drew on A. Bergen at sight for 3000 Krone, and handed draft to City Bank for collection (see Jan. 28). Sent acceptance to C. Lesley for the amount of his a/c.

- Jan. 20. Sold to H. Eadie : 12 pcs. nainsook, in 2 pcs. each of following lengths :—20, 22, 24, 21½, 20½, and 18 yds. @ 1/0½ yd. 6½ doz. satin down Quilts @ 18/- each. 8 only large satin down Quilts @ 33/3 each. 6 doz. Tray Cloths, embroidered, @ 28/4½ a doz. 5 doz. Tray Cloths, plain, @ 14/8 a doz. Packing 3/..
- ,, 21. Purchased of C. Lesley for £25, Calico in bulk at average 4½ d. a yd., also 1 gross Tray Cloths @ 11/4 a doz. ½ gross Fancy Tea Cloths @ 2/10 each.
- ,, 22. Paid by cheque G. Lea's a/c., less 2½% dis. C. Lesley's bill met at Bankers.
- ,, 24. Drew cheque for cash, £10. Paid wages, £7 10s Handed to Petty Cash Clerk, £2 10s.
- ,, 26. Sold for cash, job lots, £18 6s. 8d.
- ,, 27. Recd. from Raymond & Lingley their acceptance, dated Jan. 24, at 1 mo. for the amount of their a/c.
- ,, 28. City Bank credited a/c. with £165, proceeds of draft on A Bergen.
- ,, 29. Paid by cheques, Gas a/c. £9 18s, and Electric Light a/c., £10 2s.
- ,, 31. Drew cheques for personal use : G. Brown, £48. M. Letts, £32. Paid Wages, £7 15s. Handed to Petty Cash Clerk, £2 5s. The Petty Cash Expenditures during the month were—Trade Expenses £5 12s. 6d., Cash Purchases £2 3s. 4d.

2. The Petty Cash Clerk in a firm of Umbrella makers commences each month with a balance of £40. Prepare a Petty Cash Book in columnar form and enter therein the following items of expenditure in the month of Feb., 1914 :—Week ended Feb. 7—Postage 25/-, Telegrams 9/6, Housekeeper, for Cleaning and Fuel 30/6, Cash Purchases 20/3, Adverts. 35/-, G. L. Rly. 8/3, Small Fares 3/9. Week ended Feb. 14—Postage 31/4, Electrician, for repairs, 31/1, G.W. Rly. 6/4, Telegrams 5/9, Housekeeper 33/-, Cash Purchases 9/2, Adverts, 35/-, Small Fares 4/6. Week ended Feb. 21—Postages 22/6, Telegrams 15/4, Housekeeper 33/3, Adverts, 35/-, Small Fares 6/6. Week ended Feb. 28—Cash Purchases 18/8, G.W. Rly. 11/5, Postages 24/-, Telegrams 4/4, Adverts, 35/-, Small Fares 5/8, G.N. Rly. 17/1, Housekeeper 28/9, Advances to Principals £7 10s. What was the amount of the cheque to be drawn on Mar. 1 in order to reinstate the initial balance? By what term is this system of keeping the Petty Cash a/c. known?

3. Who owes, and to whom is owing, the amount due in the following a/c.? M. Ida, in account with I. M. Bourne. Feb. 19. Supplied to L. Evelyn, of Bushey, by order of M. Ida, 7 prs. Witney Blankets @ 43/6 a pr.

4. Explain the following terms :—Invoice, Voucher, Mortgage.

**London Chamber of Commerce. (Junior, 1915).**

1. Copperfield & Dombey traded as Wholesale Hosiers. On 1st Jan., 1915, the balance in the Sales, Bought and Private Ledgers were :—Debit Balances : S. Weller, £236 7s. 6d.; J. Bass, £19 2s. 4d.; S. Stearforth, £432 7s. 10d.; Stock, £3450; Cash at Bank, £678 2s. 4d.; Petty Cash, £8; Furniture & Fixtures, £350; Credit Balances : C. Micawber, £241 10s. 6d.; B. Dorritt, £76 5s. 10d.; B/P. (due 15th Jan., 1915, B. Rudge) £141 3s. 8d.; Reserve for Bad and Doubtful Debts, £70; Reserve for Employee's Commission, £45; Capital A/cs., D. Copperfield £2300; S. Dombey, £2300. Open Bought, Sales and Private Ledgers with the above balances and enter the transactions into the proper subsidiary books, post to the Ledgers and extract a Trial Balance. *All receipts were paid into the Bank.*

- Jan. 2. Drew Cheques, Petty Cash £45, Wages £12 10s.  
 Paid employee's commission out of petty cash, £45.
- ,, 5. Received from S. Weller cheque for his a/c., less  $2\frac{1}{2}\%$  discount.
- ,, 6. Purchased from C. Micawber, 300 Men's Cardigan Jackets @ 45/9 per doz., 475 Ladies' Sports Coats @ 10/9 each; 30 doz. Motor Scarves @ 19/- per doz.
- ,, 7. Received from S. Stearforth his acceptance, at 3 mos., dated 6th Jan., 1915, for half of his A/c. Discounted same with bankers, who charged £3 for dis.
- ,, 8. Consigned to C. Barkis, of Toronto, the following :—  
 50 doz. Motor Scarves @ 94/6 doz.; 200 doz. Men's Cardigan Jackets @ 49/- doz.; 30 doz. Men's Cardigan Jackets @ 41/- doz.; Cases £1 1s.  
 Drew cheques for payments in connection with consignment to C. Barkis, Carriage £3 10s.; Insurance £14 10s.
- ,, 9. Drew cheques for : Petty Cash £5; Wages £12 10s.
- ,, 11. Received cheque from J. Bass for £18 12s. 4d. in settlement.  
 Sold to S. Weller, 20 sets of Coats and Caps @ 8/9 per set; 325 doz. Children's Jackets @ 30/- doz.; 73 doz. Scarves @ 1/11 each.
- ,, 12. Drew on S. Stearforth at 4 months for the balance of his A/c.
- ,, 14. Sent cheques in settlement of amounts due to :—C. Micawber, less 5% dis. B. Dorritt less  $3\frac{1}{2}\%$  dis.  
 Received from S. Stearforth his acceptance sent to him on 12th inst.
- ,, 16. Purchased from B. Dorritt, 150 Motor Scarves @ 21/6 doz.; 30 doz. Children's Overalls @ 19/6 doz., and invoiced these goods to S. Stearforth as follows :—  
 Motor Scarves @ 37/6 doz.; Children's Overalls @ 30/- doz.  
 Drew cheques for, Petty Cash £5, Wages £12 10s.
- ,, 19. Sold to S. Carton who gave his cheque in settlement, 15 Ladies' Coats @ 11/- each; 20 Ladies' Coats @ 10/6 each,

- Jan. 20. S. Carton's cheque returned marked R/D.; on notification he sent cash in exchange for cheque.  
 .. 23. Drew cheque for, Petty Cash £5; Wages £12 10s.  
 .. 26. Purchased from C. Micawber: 20 doz. Sweaters @ 9/- doz.; 30 doz. Scarves @ 16/6 doz.; 50 doz. Men's Cardigan Jackets @ 9/6 each.  
 .. 27. Paid cheque £47 10s. to S. Thompson for a New Safe.  
 .. 29. Received Account Sales from C. Barkis stating that he had paid:—Carriage £3 10s.; Warehouse and Dock Dues £2. The consignment realised £900, the commission on which was £90. C. Barkis sent draft at sight for balance.  
 .. 30. Drew cheques as follows:—Wages £12 10s.; Petty Cash £5; D. Copperfield £25; S. Dombey £25.

Petty Cash Payments for the month were:—Trade Expenses £12 4s. 6d.; Carriage £7 10s. 4d.; Travelling Expenses £3 4s. 10d.

2. On the 31st Dec., 1914, the Pass Book of Jones & Timson showed a balance of £979 18s. 3d. From the following particulars give the balance that would be shown in the firm's Cash Book on Dec. 31st. Dec. 31 paid to Bank £351 7s. 2d., credited in Pass Book on 1st Jan., 1915. On Dec. 31, the following cheques were drawn:—Jones, £100; Timson, £100; Turveydown £75; Peggotty, £3 2s. 6d.; Bleak, £4 5s. 6d.; Wages, £213 7s.; Petty Cash, £25; Smith & Sons, £3 10s. Of these only the cheques for Wages and Petty Cash appeared in the Pass Book. On Dec. 31 the Bank had charged for interest £7 5s., which was entered in the firm's Cash Book on 1st Jan., 1915.

3. Explain the terms:—R/D.; Account Sales. 4. Draw up the Account Sales received by Copperfield & Dombey on 29th Jan., 1915 (see Exercise 1).

#### National Union of Teachers. (*Elementary, 1914.*)

1. Name some of the defects of single-entry book-keeping.
2. Distinguish between gross profit and net profit. The Dr. side of a P. & L. A/c. amounts to £160, and the Cr. side amounts to £140. What do you call the balance? 3. What does a Trial Balance tell you? What does a B/S. tell you?

**Ex.** On Jan. 1, 1914, John Hastings had Cash in Office, £30; Cash at Bank, £300; Goods on hand, £500. Debtors: A. Black, £230 7s. 6d.; B. Brown, £140 12s. 6d.; C. Cherry, £75 6s. 8d.; D. Grey, £100 13s. 4d. Creditors: E. Pink, £165 16s. 8d.; F. Searle, £134 3s. 4d. Find and credit his Cap. Enter the transactions below in suitable books, post them to the Ledger, draw out a T.B., balance the a/cs., and make out a P. & L. A/c. and B/S. (*N.B.—All cheques are to be passed through the bank same day.*)

Jan. 1.	Posted a cheque to landlord	£25	-
" 2.	Recd. A. Black's cheque, £227 5s. Discount	3 2 6	
" 3.	Sold goods to A. Black	140 10	-
" 4.	Paid Wages with Office cash	5 15	-
" 5.	Charge B. Brown with interest on his a/c, ...	2 7 6	

Jan. 6.	B. Brown bought Goods .....	£80 3 4
" 7.	Received B. Brown's cheque ..	143 - -
" 8.	Sales to C. Cherry .....	24 13 4
" 9.	Recd. C. Cherry's cheque, £98 10s. Dis.	1 10 -
" 10.	Recd. of the trustee of D. Grey in full dis- charge of his a/c., cheque, £75 10s. Wrote off D. Grey's balance as Bad Debt .....	25 3 4
" 12.	Postages and Telegrams .....	2 17 6
" 13.	Paid Rates from Office Cash .....	6 5 -
" 14.	Gave E. Pink cheque, £163 10. Discount...	2 6 8
" 15.	E. Pink sold us goods .....	150 3 6
" 16.	We had to pay carriage on the above Goods; charge E. Pink with the amt.—Office Cash	1 3 6
" 17.	Paid Wages from Office Cash .....	5 15 -
" 19.	Gave F. Scarlet a cheque, £131 10s. Dis. ...	2 13 4
" 20.	F. Scarlet sold us Goods .....	190 2 6
" 21.	Ready money purchases—cheque .....	175 10 -
" 22.	Ready money sales—cheque .....	85 7 6
	Sales to A. Black .....	29 10 -
" 23.	Received A. Black's cheque .....	85 - -
" 24.	Received B. Brown's cheque ..	40 1 8
" 26.	C. Cherry bought Goods .....	125 6 8
" 27.	Purchases from E. Pink .....	70 - -
" 28.	Drew a cheque for self .....	16 10 -
" 29.	G. White bought goods .....	55 15 6
	Paid F. Scarlet cheque ..	95 1 3
" 30.	Paid E. Pink cheque, £147 10s. Discount...	2 13 6
" 31.	Interest on Capital, £4 10s. Goods on hand, £649 7s.	

Royal Society of Arts. (*Stage 1, May, 1920*).

1. Explain the following terms and abbreviations:—Cash Discount; Real A/c.; Par; Cum. div.; m/s.; Ltd. 2. What is a cheque? Give a specimen form of a cheque for £10 5s. 6d.
3. Rule the form of a Cash Book and enter therein the following:—1920. Jan. 1, Bal. at Bank, £235 6s. 2d.; Bal. of Cash, £86 4s. 10d. Jan. 2, Paid Wages in Cash, £17 6s. 5d. Jan. 3, Paid into Bank cheque recd. from Smith & Sons in settlement of their a/c. of £65 10s., they deducting 5% dis. from this amount. Jan. 4, Paid Wm. Robinson, by cheque, the amount due to him. £76 6s. 8d., less 5% dis. which was deducted. Jan. 5, P. Peters paid through Bank the Bill Receivable due to-day, £100. Jan. 6, Paid by cheque £56, Rent due 25th Dec., 1919. Jan. 8, Sold an old table for 15s. in cash. Paid into Bank all cash in hand with the exception of £10. Bal. the Cash Book on 8th Jan.
4. Explain the objects and methods of using a Bills Receivable Book. Submit a suitable ruling for such a book and insert two specimen entries.
5. State which of the following you would enter in the Trading A/c., and which in the P. & L. A/c.:—(a) Sales. (b) Purchases Returns. (c) Office Salaries. (d) Workmen's Wages. (e) Travelling Exs. (f) Stock on hand.

**Exercise.** George Waud started on 1st Jan., 1920, as a General Dealer, with :—Cash in hand £15 17s., Cash at Bank £327 8s. 10d., Stock £258 10s. 6d., Furniture & Fittings £94. *Sundry Debtors* :—H. Dickson, £18 10s.; M. Ravary, £39 17s. 6d.; H. V. Machin, £26 18s. 4d. *Sundry Creditors* :—H. Hadley, £12 4s. 8d.; M. Melody, £21 4s. 6d. Open a/cs. to record the above in the Ledger; and post thereto, through the proper books of original entry, the following :—Jan. 1. Drew and cashed cheque for office purposes, £40. Jan. 2. Sold to M. Ravary on credit, 4 rolls serge at £15 10s. 6d. per roll, less 10% trade dis. Jan. 3. Paid wages in cash £6 7s. 6d. Bought on credit from H. Hadley, 50 oilskin coats at £1 11s. 6d. ea. Jan. 5. H. Dickson paid by cheque the amt. of his a/c., less 5% dis. Paid cheque into Bank. Jan. 6. Paid by cheque, the amt. owing to M. Melody. Cash sales for week £32 8s. 6d. Jan. 8. Bought for cash 16 overcoats at £2 2s. ea. Jan. 9. Accepted a bill of exchange, drawn by H. Hadley, for amt. of his a/c. Drew and cashed cheque for office purposes £20. Jan. 10. Purchased for cash office desk, £12 10s. Paid in cash wages £7 10s. and office exs. £1 8s. 7d. Jan. 12. M. Ravary paid by cheque £25 on a/c. Paid cheque into Bank. Jan. 14. Cash sales for week £42 10s. 8d. Bal. Cash Book and Ledger and extract a Trial Balance.

**Royal Society of Arts. (Stage 1, May, 1921).**

1. Explain the following :—Imprest System; Reconciliation Statement; Stock-in-Trade; a/c/e.; Div.; fcs.
2. What is a "Bill Payable"?
3. G. Dickson started in business on 1st Jan., 1921. His assets were: Cash at Bank, £500; Stock, £324.
- Debtors* :—A. Smith, £122; R. Jones, £194; Machinery, £624;
- Creditors* were :—B. Robinson, £240; A. Brown, £320. Prepare Journal entry necessary to open Dickson's books.
4. Lloyds Bank, Ltd. returned a cheque to B. Blank, paid in by the latter on the previous day, with a note marked on it "not endorsed." Explain the meaning of this note, and state why the Bank returned the cheque.
5. A trader informed his book-keeper "that he had drawn £25 from the Bank for Office Cash." Explain the meaning of this statement, and give the entries necessary to record the transaction in the Trader's books.

**Exercise.** F. Flame started as a Coal Merchant on 1st Oct 1920, possessed of a horse and cart, value £120, Cash at Bank £550. He owed £100 to his brother, H. Flame, for money lent. Oct. 1. Drew and cashed cheque £25 for petty cash. Oct. 2. Purchased on credit 50 tons best household coal from Nuneaton Colliery Co., at 63s. per ton, less 10% trade dis. Oct. 4. Purchased and paid for out of petty cash various a/c. books £3 2s. 6d. Stationery £2 12s. 8d.

Oct. 5. Sold on credit to George Norwood 15 cwt. of coal at 4s. 8d. per cwt.

Oct. 6. Sold for cash and paid into petty cash 5 cwt. of coal at 4s. 6d. per cwt.

Oct. 8. Paid out of petty cash salaries and wages £8 2s. 6d.

Oct. 11. Purchased on credit from B. Farmer 1½ tons hay at £8 per ton.

Oct. 12. Paid by cheque Nuneaton Colliery Co. amt. of their a/c., less 5% cash dis.

Oct. 16. G. Norwood paid his a/c. by cheque which was paid into Bank, less 2½% cash

dis. Oct. 18. Paid out of petty cash salaries and wages £9 18s. 7d. Oct. 19. Purchased on credit from Cardiff Coal Co 20 tons steam coal at 62s. per ton. Oct. 22. Sold on credit to Bracebridge Flour Mills, Ltd., 10 tons steam coal at 6s<sup>4</sup>d. per ton less 5% trade dis. Oct. 23. Returned to H. Farmer 1 ton of hay damaged. Oct. 26. Cardiff Coal Co allowed 15s for short weight in coal purchased from them on the 19th. Open Ledger a/c's. and post above thence, through the proper subsidiary books. Balance ledger, bring down the balances and extract a Trial Balance.

**London Chamber of Commerce. (Junior, May, 1919).**

1. B. Ten and C. Crick traded in partnership as the Ten-Crick Silk Weaving Co. On 1st Jan., 1918, their books disclosed the following:—Freehold Land & Buildings, £5000; Machy. & Plant, £2200; Stock, £3750. Cash at Bankers, £1389 18s.; Petty Cash, £25; Walsh & Co owed £861 3s. 4d.; Stair & Co. owed £320 10s. Bills Receivable—Carp & Co., due 29th Jan., £126 11s. 8d.; Walsh & Co., due 30th Jan., £621 7s. Bean & Co., creditor, £1133 7s. 5d.; Sport & Co., creditor, £796 6s. 8d.; E. Land, Mortgagor (loan on Mortgage) £3500. Bills Payable:—Bean & Co., due 5th Jan., £1251 13s.; A. Restall, due 30th Jan., £533 2s. 11d. B. Ten, Current A/c at credit £60, C. Crick, Current A/c, at credit £20, B. Ten, Cap. A/c, £4500; C. Crick, Cap. A/c, £2500. Open Bought, Sales and Private Ledgers with the above, enter the following in the proper subsidiary books, post, and extract Trial Balance on 31st Jan. All receipts were paid to the Bank. Jan. 1. Sold to Carp & Co., 25 bales ea. 108 yds. @ 1/8 yd., 30 bales ea. 80 yds., @ 1/7½ yd. Jan. 3. Pd. E. Land ½ year's Int. on Mortgage at 5%, less tax at 5/- in £ to 31st Dec., 1917. This liability had been omitted when closing the a/c's. for 1917. Jan. 4. Handled to Bankers for Discount all Bills Receivable. Bankers credited a/c., charging for discount £5 3s. 4d. Jan. 4. Drew cheque for Petty Cash £200. Paid from Petty Cash.—Wages at Mill, £144 6s. 6d.; Office Salaries, £32 5s.; Office Exs., £15 3s. 9d.; Cash Purchases, £9 4s. 9d. Jan. 6. Purchased from A. Restall, 1230 lbs. various colours at 8/3 lb., subject to 50% war advance. Jan. 8. Stair & Co. paid a/c. less 5% dis. Jan. 10. Purchased from Bean & Co.:—2188 lbs. various colours at 9/1½ lb.; extra charge on 180 lbs. at 3d. lb.; the whole invoice subject to 50% war advance. Jan. 11. Drew Cheque for Petty Cash £225 4s.; Paid from Petty Cash:—Wages at Mill, £151 9s. 9d.; Office Salaries, £36 10s.; Office Exs., £18 1s.; Cash Purchases, £19 3s. 3d. Jan. 13. Sold to Walsh & Co.:—33 bales ea. 116 yds.; 26 bales ea. 115 yds.; all at 2/1 per yd. Jan. 15. Recd. from Walsh & Co. acceptance due 18th March, for a/c. of Dec. a/c. less dis. at 2½%, and discounted it with the Bankers, who charged £6 12s. 9d. Jan. 16. Purchased from Sport & Co. various bales entered in Stock Book, page 32, all at £622 3s. 4d. Sold to Stair & Co.:—50 bales ea. 108 yds.; 31 bales ea. 100 yds.; 19 bales ea. 10½ yds., all at 1/11½ per yd. Terms, Cash in 7 days less 6½%. Jan. 17. Purchased at auction, Machinery

for £525, and pd. for same by cheque. Paid Sport & Co. on a/c. £500; and accepted Draft at 2 months for balance of their a/c. Jan. 18. Drew Cheque for Petty Cash £211. Paid from Petty Cash :—Wages at Mill £162 3s. 3d.; Office Salaries £36 10s.; Office Exs. £12 6s. 9d. Jan. 20. Sold to Warner & Co., 55 bales ea. 112 yds. at 1/10½ yd.; 38 bales ea. 108 yds. at 1/11½ yd.; 27 bales ea. 108 yds. at 2/1 yd. Jan. 21. Accepted Bean & Co.'s draft for amt. of Dec. a/c. at 2 mos. from 20th Jan. Jan. 22. Carp & Co. returned 270 yds. at 1/8. Sent them Credit Note. Stair & Co. pd. amt. due. Jan. 23. Carp & Co. arranged a Deed of Composition with their creditors, under which they were to pay in cash on the 29th inst., 15/- in the £, in full discharge of their liabilities, all drafts and securities to be handed to the Trustee, G. Train. Jan. 25. Walsh & Co. returned 260 yds. part of the sale on 13th Jan. Sent them Credit Note. Jan. 25. Drew Cheque for Petty Cash £240. Paid from Petty Cash :—Wages at Mill £181 19s.; Office Salaries £36 10s.; Office Exs. £13 11s. 3d.; Cash Purchases £7 19s. 9d. Jan. 29. G. Train, Trustee for Carp & Co., pd. the agreed composition. Jan. 31. Drew Cheques for Current A/cs. :—B Ten, £160; C. Crick, £80.

2. On 1st Jan., 1919, G. Day purchased the business carried on by H. Carter. He agreed to collect the book debts due to H. Carter and to render a monthly statement with cheque for the amount collected, less 5% commission. The usual dis. was to be allowed if claimed by the customers. The book debts due to H. Carter were as follows :—G. Adam, £98 6s. 8d.; D. Hay, £101 3s. 4d.; L. Darcy, £66 10s.; M. Darwin, £52 5s.; A. George, £118 6s. 8d. G. Day continued to trade with the same customers and during the month of Jan. his sales were: G. Adam, £141 13s. 4d.; H. Davis, £92; D. Hay, £119; L. Darcy, £98 10s.; H. Leek, £23 6s. 8d.; A. George, £81 3s. 4d. By 31st Jan. all the above a/cs., old and new, had been paid and dis. allowed on all payments at the rate of 5%. On 31st Jan., G. Day sent to H. Carter a cheque for the amount due. Show the statement rendered to H. Carter by G. Day.

3. Explain the term "double entry book-keeping." 4. Explain the difference between a Trial Balance and a Balance Sheet.

**Exercise 691. (*Royal Society of Arts, Inter., May, 1920.*)**

1. What is a post-dated cheque? 2. J. B. Clark is a Dry Goods Merchant, and deals in ladies' costumes, Scotch tweeds, velvet and silk. Give a ruling suitable for his Sales Book.

**Ex. 1.** Martin Ravary is a Wholesale Ladies' Costume and Cloth Merchant. On 1st Jan., 1920, his Assets and Liabilities were as follows :—Assets: Furniture & Fixtures, £258; Sundry Debtors :—H. Lyons, £104; B. Bryce, £158; C. Allen, £17; P. Wilson, £21; Stock, £1029; Bill Receivable from B. Bryce (due Jan. 15th, 1920), £62; Cash, £15; Bank, £256. Liabilities: Sundry Creditors :—M. Herriott, £129; C. Testout, £241; H. Dickson, £36; Bill Payable to H. Dickson (due Jan. 12th, 1920), £150. Open Ledger A/cs. to record the above and post through the proper subsidiary books, the following. Balance Ledger

A/cs. as on 22nd Jan., and extract a T.B. 1920 Jan. 1.—Drew and cashed cheque for £100 for Office Cash. Bought for cash 16 Paris model ladies' coats for £47. Jan. 2.—Sold, on credit, to George Dawson, 56 yds. velvet at 30/6 per yd. Jan. 3.—B. Bryce pd., by cheque, £50 on a/c. H. Lyons gave a Bill for 3 mos. for the amt. of his a/c. Bought, on credit, 2 rolls of Scotch tweed at £56 per roll from Robert McGredy & Co G. Dawson returned 5 yds. of velvet sold him on the 2nd inst., damaged. Jan. 5.—Sold, for cash, two costumes at £6 and £5 10s. respectively. Pd., in cash, Wages £12 and Office Exs £2 1s. Jan. 8—Bought, on credit, 100 yds. lining silk @ 21/6 per yd. from C. Testout. Jan. 9.—Pd., by cheque, M. Herriott's a/c. less 2½% dis. Jan. 10.—Cash sales to date £38. Sold on credit, 24 costumes at £4 4s. each to P. Wilson, less 5% trade dis. Jan. 12.—H. Dickson's Bill, due this day, was duly met through the bank. Pd. Wages, in cash, £14, and Office Exs £3 4s. Jan. 14.—Pd., in cash, Carriage £8 6s. Jan. 15.—B. Bryce's Bill, due this day, was duly met through the Bank. Jan. 16.—Bought, on credit, 150 yds. blue serge @ 20/- per yd., from M. Herriott, less 5% trade dis. Gave M. Herriott a cheque on a/c. £50. Jan. 17.—Cash sales for week, £92. Jan. 20.—M. Ravary drew cheque £50 for private purposes. Jan. 21.—Purchased, for cash, 8 doz. coat hangers @ 24/- per doz. (Charge to Furniture & Fixtures). Returned 10 yds. blue serge, purchased on the 16th inst., to M. Herriott, as faulty. B. Bryce pd. £100 on a/c. by cheque. Pd. cheque into Bank. Jan. 22.—Pd. cash into Bank, £100.

**Ex. 2.** From the following Trial Balance of L. Pirrie, prepare Trading, and P. & L. A/cs. for the year ended 31st Dec., 1919, and a B/S. (a) Stock on 31st Dec., 1919, £1429. (b) Write Depreciation off:—Plant & Machy. 10%, Office Furniture 5%. (c) Reserve for Bad Debts to be made up to £400. (d) Three days' Wages (amounting to £57) had accrued due, but had not been paid on 31st Dec., 1919. (e) Unexpired Insurances, amounting to £68, are to be carried forward to next year (/) 5% Int. is to be allowed on Cap., but no interest is to be charged on Drawings.

Dr. Balances—		Dr. Balances continued—	
Drawings A/c.....	£700	Bills Receivable .....	£124
Purchases .....	5221	Sundry Debtors .....	8897
Sales Returns .....	183	Cash at Bank.....	1240
Stock (1 Jan., 1919).....	1146	Cash in hand.....	221
Salaries .....	628	Office Furniture .....	850
Manufacturing Wages .....	3956	Travellers' Salaries & Comm... .....	987
Leasehold Factory .....	2500		
Rent, Rates & Insurance .....	691	<b>Cr. Balances—</b>	
Carriage Inwards .....	291	Capital A/c. .....	9000
Carriage Outwards .....	824	Purchases Returns .....	424
Office Expenses .....	228	Sales .....	14984
Factory Expenses .....	724	Bad Debts Res. (1 Jan., 1919) ...	824
Plant & Machinery .....	2400	Dis. A/c. (Balance) .....	18
Factory Fuel.....	795	Sundry Creditors.....	1698

**Answer.**—*Gross Profit, £4625; Net Profit, £1066 10s.; Capital, £9816 10s.; Total B/S., £11571 10s.*

**Exercise 69g.** (*Royal Society of Arts, Inter., May, 1921*).

1. How many classes of accounts should you expect to find in the Ledger of a Trader whose books were kept by double entry? Briefly explain the characteristics of each class of account. 2. Briefly explain the advantages a Trader derives by opening an account with a Banker.

**Ex. 1.** On 1st Jan., 1921, D. Dennis, in possession of the following assets: Stock £562, Cash at Bank £721; Petty Cash £15 7s. 6d., Office fixtures and fittings £97 10s.; Sundry debtors: C. Rambler, £86 15s., D. Perkins, £17 2s. 6d.; L. Gay, £2 10s. His liabilities were: T. Gray (loan) £150; Sundry creditors: W. Paul, £73 8s. 6d.; W. Easlea, £19 19s. 8d.; J. Jeffries, £92 16s. 10d., Bill payable (due 6th Jan., 1921) £100. Half-year's accrued interest at 6% on T. Gray's loan was also owing. On 1st Jan., 1921, he amalgamated his business with that of Paul Noel, who brought in, by way of Capital, Stock £100; and Cash (paid into Bank) £100. Open the necessary ledger a/cs and post the transactions thereto through the subsidiary books. Balance the ledger a/cs. and extract a T.B. as on 29th Jan., 1921.

Jan. 1.—Drew and cashed cheque for Petty Cash £35. Jan. 1.—Purchased for cash Stamps £5, and Packing Materials £12 19s. 4d. Jan. 3.—Purchased on credit from W. Paul goods £182 16s., less 10% trade dis. Jan. 5.—Sold on credit to D. Perkins, goods £145 10s. 8d. Jan. 6.—Paid in cash wages and salaries £10 14s. 8d. Bill payable due this day was duly met by Bankers. Jan. 8.—Paid by cheque half-year's interest at 6% on loan from T. Gray, due 31st Dec., 1920, less 6s. in the £ income tax. Returned damaged goods to W. Paul £6 10s. 4d. Jan. 10.—Purchased on credit from J. Jeffries goods £194 12s. 6d. Jan. 11.—Accepted Bill at three months in favour of J. Jeffries for the amt. due to him. Jan. 11.—D. Perkins returned damaged goods £3 12s. Jan. 12.—Sold for cash goods £20 8s. 6d. and paid into Petty Cash. Paid in cash wages and salaries £11 17s. 6d. Jan. 15.—Sold on credit to C. Rambler, goods £87 15s., less 10% trade discount. Jan. 18.—C. Rambler paid by cheque which was paid into Bank the amount of his a/c., less 5% cash dis. Jan. 20.—Paid by cheque W. Easlea, the amt. of his a/c., less 5% cash dis. Jan. 24.—Purchased for cash new Office Furniture, £5 12s. 4d. Jan. 25.—Sold goods for cash £12, and paid into Bank. Jan. 27.—Drew and cashed cheque for Petty Cash £20. Paid salaries and wages £12 18s. 9d.; Packing Materials £12 2s. 4d., and Railway Carriage £9 4s. 2d. Jan. 29.—Purchased by cheque £100 National War Loan Bond, for £84 17s. 6d., including expenses. (*Total Balances, £2536 3s. 11d.*.)

**Ex. 2.** O. Fitzgerald carried on business as a manufacturer of rubber heels and sundries. On 1st Jan., 1919, he agreed to admit C. Testout as a junior partner on the following terms:—A Goodwill A/c. of £3000 was to be opened, and a similar amount credited to Fitzgerald's Cap. A/c. Fitzgerald was to draw £10 per month, and Testout £30 per month. No Interest was to be charged on drawings, but 5% Int. was to be allowed

on Capital. Testout was to pay in £3000 in cash, as his Capital. Testout was to be credited with a salary of £250. Profits were to be shared : as to 2/3rds to Fitzgerald and 1/3rd to Testout. The following Trial Balance was extracted from the books. Prepare a Factory Working A/c., and a P. & L. A/c. for the year ended 31st Dec., 1919, and a B/S., taking into consideration the following :—(a) The following depreciations are to be written off :—Plant and Machinery, 10% ; Office Furniture 5% ; Motor Lorry 20% ; Loose Tools 15%. (b) Sundry Loose Tools were made by the firm's workmen, and Wages £92, and Purchases £28, are to be transferred from these a/cs. to Loose Tools A/c. before calculating the above depreciation. (c) Stock £4092 (d) The Reserve for bad debts is to be made up to £500.

## Dr. Balances—

O. Fitzgerald, Drawings A/c. ....	£480
C. Testout, Drawings A/c. ....	110
Goodwill .....	3000
Partnership Salary .....	250
Plant & Machinery .....	2810
Loose Tools .....	520
Sales Returns .....	108
Purchases .....	9684
Machinery Repairs.....	319
Stock (31 Dec., 1918) .....	3572
Bad Debts .....	221
Carriage Inwards .....	462
Carriage Outwards .....	521
Office Salaries .....	1918
Office Expenses .....	362
Travellers' Salaries & Commiss. ....	1486
Factory Power .....	1642
Bills Receivable .....	325
Factory Wages .....	4891

## Dr. Balances continued—

Rent & Rates (factory) .....	£1278
Do. (office) .....	163
Factory Expenses .....	821
Insurance (factory) .....	218
Do. (office) .....	29
Cash at Bank .....	461
Sundry Debtors .....	9862
Office Furniture .....	210
Motor Lorry .....	1400

## Cr. Balances—

O. Fitzgerald, Cap. A/c. ....	9000
C. Testout, Cap. A/c. ....	3000
Sales .....	27680
Purchase Returns .....	312
Res. for Bad Debts (31/12/18) ...	400
Discount A/c. ....	81
Bank Overdraft .....	4000
Sundry Creditors .....	8206

Answer.—Gross Profit, £8746; Net, £2475; Total of B/S. £21691.

Exercise 69h. (Royal Society of Arts, Inter., May, 1922.)

1. A.B., of Rangoon, sold three bales of dry goods (for £36. 42l, and £18, respectively) which had been consigned to him by C.D., of Manchester. His payments in respect of these goods were : Dock charges, £3 2s. 4d.; Cartage, £3 4s. 7d.; and Insurance, £8. He was entitled to a commission of 2½ per cent on the gross proceeds. Give the Account Sales which would be sent by A.B. to C.D. 2. What is meant by the term "double-entry book-keeping"?

Ex. 1. S. Webber, Wholesale Draper, finds his position on 1st Jan., 1922, was as follows : Trade Debtors : R. Green, £782 10s., B. Black, £232 8s. Trade Creditors : V. Brown, £684 3s., W. White, £984 8s. Bill Receivable : F. Grey (due Jan. 4th, 1922), £160; Cash at Bank, £942; Office Cash, £51 15s.; Stock, £1064 18s.; Fixtures and Fittings, £200; Motor Vans, £1200. Open Ledger A/cs. to record the above, and post the following through the proper books :—Jan. 2. Sold on credit to R. Pink, 3 doz. ladies' umbrellas @ 9/9 each, less 10% trade dis. Jan. 3. Drew and cashed cheque £50 for office, and paid in cash Wages, £17 2s. 6d.; Office Salaries, £12; Packing Materials, £16 8s. 5d. Jan. 4.—Bill Receivable due this day was paid to Bank. Jan. 5.—Purchased on credit from W. White, 2 doz. costumes, at 49s. 7d.

each. Jan. 7.—Sold for cash job lots : 122 yds. Jap. silk @ 3/1 per yd., 16 handbags @ 7/6 each. Jan. 10.—Paid in cash Wages £18 1s. 6d.; Office Salaries, £12; Railway carriage £12 14s. 2d. Jan. 12.—Paid by cheque to V. Brown, £450 on a/c. Jan. 14.—B. Black paid by cheque the amount due from him, less 5% cash dis. Jan. 17.—Drew and cashed cheque £80 for Office, and paid in cash Wages £16 10s., and Office Salaries £12. Jan. 18.—Purchased for cash job lines :—300 yds. coating serge @ 2/5 per yd.; 76 pairs silk stockings @ 4/8 per pair. Jan. 19.—Purchased by cheque new show case £56. Jan. 21.—Paid by cheque W. White £243 18s., less 5% cash dis. Jan. 24.—Sold on credit to R. Green, 6 sets of furs @ 10 guineas per set. Jan. 26.—R. Green sent cheque for £500 on a/c. Jan. 28.—R. Green returned one set of furs, invoiced on the 24th inst., as damaged. (*Total Balances*, £4103 6 8).

**Ex. 2.** The Windyridge Horticultural Co., Ltd., was registered with a nominal capital of 30000 shares of £1 each, of which 12500 shares had been issued and fully called up. From the following Trial Balance on 31st Decr., 1921, prepare Trading, and P. & L. A/cs. for the year ended 31st Decr., 1921, and a B/S. (a) Office salaries (£32) had accrued due as on 31st Decr., 1921, but had not been passed through the books. (b) Insurance (warehouse) £12 had been paid in advance. (c) Interest for the half-year to 31st Decr., 1921, on the Mortgage, had accrued due, but had not been passed through the books (ignore Income Tax). (d) Depreciation to be provided : Motor Lorry, 15%; Loose Tools, 25%; Office Furniture, 5%. (e) The Reserve for Bad Debts to be increased to £400. (f) Stock valued at £4062.

**Dr. Balances—**

Goodwill.....	£5000
Leasehold Warehouse & Offices	5547
Loose Tools.....	700
Workmen's Wages.....	2586
Rent & Rates (warehouse, £750; offices, £120).....	870
Purchases.....	9612
Stock (31/12/20).....	3561
Sales Returns .....	39
Carriage Inwards .....	127
Carriage Outwards .....	93
Insurance (warehouse, £92; offices, £26) .....	118
Office Salaries .....	697
Directors' Fees .....	450
Motor Lorry.....	1200
Office Furniture .....	320
Interest A/c. & Bank Charges...	185

**Dr. Balances continued—**

Calls in Arrear .....	£250
Sundry Debtors .....	3742
Heating & Lighting (warehouse, £72, offices, £35).....	107
Advertising.....	975
Cash in hand .....	107
P. & L. A/c. Bal. (31/12/20) .....	1198
<b>Cr. Balances—</b>	
Share Capital A/c. .....	12500
Salex.....	17894
Receipts for constructing gdns. 1963	
Purchases Returns .....	91
Discount A/c .....	37
Loan on Mortgage at 10%.....	2000
Sundry Creditors .....	2520
Bank Overdraft .....	462
Res. for Bad Debts (31/12/20) ...	300

**Answer.**—*Gross Profit*, £6856; *Net Profit*, £3753; *Total of B/S.*, £19919.

**PETTY CASH BOOK.** (See page 67.)

Cash Received.	Date.	Particulars.	Voucher No.	Totals. £ s. d.	Carriage and Carriage	Cartage 15 6	Travel- ling.	Station- ery.	Postages and Telegrams	Sundry Stores	Pettles.
20	-	1917:	cob 1	- 15 6	-	-	-	-	- 2 9	-	1 5 6
	Jan. 1	To Cash .....		- 15 6	-	-	-	-	-	-	
	" 2	By Carriage—Cook & Co. ....		- 2 9	-	-	-	-	-	-	
	" 3	Telegrams.....		- 1 6	-	-	-	-	-	-	
	" 3	Gratuities .....		- 1	-	-	-	-	-	-	
	" 3	Tram Fares .....		- 1	-	-	-	-	-	-	
	" 5	Postage Stamps .....		- 2	-	-	-	-	-	-	
	" 6	Teas .....		- 8 6	-	-	-	-	-	-	
	" 7	Carriage—F. Jones .....		- 6	-	-	-	-	-	-	
	" 8	Cab Fare—H. Burt .....		- 4 6	-	-	-	-	-	-	
	" 9	Labels—T. Sykes .....		- 9	-	-	-	-	-	-	
	" 10	Matches .....		- 15	-	-	-	-	-	-	
	" 10	Asbestos—T. Marsden .....		- 10	-	-	-	-	-	-	
	" 12	Cartage .....		- 18 6	-	-	-	-	-	-	
	" 13	Twine—J. Holmes .....		- 10	-	-	-	-	-	-	
	" 14	Post Wrappers .....		- 16	-	-	-	-	-	-	
	" 15	Railway Fare to Eccles .....		- 1	-	-	-	-	-	-	
	" 16	Carriage—F. Potts .....		- 6 10	-	-	-	-	-	-	
	" 17	Post Cards .....		- 10	-	-	-	-	-	-	
	" 20	Oil—J. Thorpe .....		- 1	-	-	-	-	-	-	
	" 22	Pens .....		- 24	-	-	-	-	-	-	
	" 25	Newspapers .....		- 32	-	-	-	-	-	-	
	" 31	To Cash, Disbursements .....		cob	-	-	-	-	-	-	
12	1	" "		- 12	-	-	-	-	-	-	
	" "	By Balance c/d .....		- 1	-	-	-	-	-	-	
	" "	By Balance b/d .....		- 20	-	-	-	-	-	-	
				£33	1	1			£33	1	1
				20	-	-	Feb 1	To Balance b/d .....			

**ACCOUNT CURRENT.** (See par. 503).

Messrs Owen & Dew, New Orleans,

In Account with Chas. Mee & Co., Ltd., London.

Interest @ 5% per ann. to 30th June, 1917.

Gr.

Dr.

		Principal	Days	Interest		Principal	Days	Interest
		£ s d		£ s d		£ s d		£ s d
1917	To Balance b/f.....	181			1917	By A/S. of Cotton .....		
Jan. 1	" Cash paid to meet your Slight Draft .....	1610	5	1610	5	70717	9	145
" 31	" " " " " " "	150	·	1615	6	70717	9	165
Feb. 1	" Acceptance of your Draft due 5th April .....	230	·	87	11	Ditto .....		619
" 23	" Cash Paid to meet your Slight Draft .....	61	5	127	19	" Interest in red .....		6
April 1	" Acceptance of your Draft due 4th June .....	250	·	26	1	" Balance of Interest .....		1
" 6	" Cash paid to meet your Slight Draft .....	131	2	85	1	" Balance c/f .....		1
May 1	" Ditto .....	11410	6	65	17			1
June 1	" Acceptance of your Draft due 4th August .....	250	·	35	4			0
" 30	" Balance of Interest .....	2	711	2	1			0
		£ 1705	1	£ 34 9	6			6
July 1	To Balance b/f.....	166	811	£		£ 1755	1	8

E. & O. E.  
London, 30th June, 1917.

Chas. Mee & Co., Ltd.

## TABULAR SALES DAY BOOK.

Inv.	Date.	Name.	Led. Fol. Dr.	Totals. £ s. d.	Under- linen £ s. d.	Hosiery. £ s. d.	Mantles £ s. d.	Dresses. £ s. d.
1	1920	James Kaye . . . . .	71	128 6 6	62 14 2	65 12 4	73 6 -	74 14 -
2	June 2	Henry Field . . . . .	36	153 13 6	24 5 6	56 2 -		28 6 -
3	" 3	John Sykes . . . . .	53	151 18 2	16 1 2	31 -	56 6 -	67 14 -
4	" 7	Sam Jones . . . . .	75	84 12	54 7 -	36 3 6	48 2 -	
5	" 9	Charles Roberts . . . . .	97	206 6	32 4 8			
6	" 11	Alfred Turner . . . . .	64	32 4	20 10 -	30 8 -	27 14 -	
7	" 17	Walter Crew . . . . .	69	113 2	56 3 -	24 8 -		
8	" 22	Notts & Co. . . . .	78	108 5	74 7 -			
9	" 26	Ben Bridge . . . . .	85	111 10	17 10 -			
10	" 28	Frank Ford . . . . .	101	92 10				
	" 30			1182 8 1	251 4 4	315 2 6	244 7 4	371 14 -
						Fo. 17	Fo. 39.	Fo. 78.
						Impersonal A/c's. in Private Ledger.....Cr.		

## MERCANTILE TERMS, &c.

*The numbers of the following paragraphs have NOT been altered, so as to correspond with those in the twenty-ninth complete edition.*

**502. ACCOUNTANT.** A person skilled in keeping and balancing books, and who is usually employed by merchants, public companies, &c., to prepare a/cs. and balance sheets, or to audit their books and a/cs. An audit is a thorough examination by an auditor of all books, a/cs., vouchers, securities, &c., with the three fold object of detecting (1) fraud, (2) technical errors, (3) errors of principle. Audits generally take place periodically, and are usually, though by no means universally, conducted by professional auditors.

**503. An ACCOUNT CURRENT (A/C.)** sometimes called a running a/c., is a detailed Dr. and Cr. statement, copied from the Ledger, containing an a/c. of the transactions which have taken place between you and any person during a certain time. An a/c. is usually rendered either quarterly, half-yearly, or yearly, and is generally made out with the interest charged or allowed upon each item. Sometimes red ink interest has to be stated in an A/c. Interest in red is that upon current B/E., reckoned from the time the interest is made out to the time the bills become due. In the example given on the preceding page you will notice that the acceptance of 4th June has 35 days to run from 30th June to 4th August. The amount £1 4 - must be entered in red ink on the Dr. side, but must *not* be included in the total of that column. The £1 4 - must be *credited* to Owen & Dew, as they are deprived of the use of the £250 for 35 days beyond the time of making up the A/c. An account stated is one showing a balance which has been *agreed upon* by the parties. It differs from an open a/c. in that the burden of *proof* is thrown upon the party who seeks to question it.

**508. ADVICE.** A written communication giving information that some special transaction has been or is to be effected; particularly used with reference to *advising* the drawing and honouring of bills, and the shipment of goods.

**511. An AGENT (Agt.)** is one who is empowered to represent a principal, or one who buys or sells, or is entrusted with the business of another. Contracts and arrangements made by an agent are binding upon his principal or employer, provided they are made in the usual course of business, and are understood to be on behalf of his principal. Every Manager, Clerk, Traveller, Workman, or other employee of a trader is an agent within certain limits, for carrying on the business. A Broker is an intermediate agent employed by merchants to buy and sell any commodity for them. The fee charged by brokers for transacting business for their principals is called brokerage. Stockbrokers call it commission. A Factor is an agent dealing *in his own name*, entrusted with the possession, management and disposal of property belonging to another. The general duty of a factor is to procure the best intelligence of the state of trade at his

residence ; of the course of exchange ; of the quantity and quality of the goods at market ; their present price, and the probability of a rise or fall ; to pay exact obedience to the orders of his employers ; to consult their advantages in matters referred to his discretion ; to execute their business with all the dispatch that circumstances will admit ; to be early in his intelligence, distinct in his a/cs., and punctual in his correspondence. The differences between a Factor and a Broker are as follows :—A Factor (1) deals in his own name, (2) is always personally liable on his contracts unless he contracts specially as agent, (3) has possession of goods as well as being entrusted with their disposal. A Broker (1) deals in the name of a principal, (2) is never personally liable unless he contracts as principal, (3) is entrusted with disposal of goods but not possession. *Del Credere* is a term used in trade in reference to an agreement between an agent and his principal, whereby the former, in consideration of an additional amount being paid to him, besides his usual commission, undertakes to guarantee the payment of goods sold through his agency, and becomes thereby liable to his principal for the amount, in case of the insolvency of the purchaser. Such extra commission to the agent is called “*del credere*” *Per procuration* (*per pro.*) By *procuration* : an agency. The power given either by Letter or Power of Attorney to an agent or clerk to sign cheques, bills of exchange and other documents, on behalf of a principal, or firm, thus :—*p. pro.*, Middleton & Sons,

Arthur Fieldhouse.

The effect of such a signature is that it operates as notice of a limited authority in the agent, and the principal is only bound if the agent was acting within his authority ; hence, if an offer to accept, or draw, or endorse a B/E. be made by an agent, the holder may and should require the production of his authority, and if not produced, may treat the bill as dishonoured.

**517. ARRANGEMENT, Deed of.** An instrument embodying an agreement between a debtor and the general body of his creditors for the purpose of modifying the Debtor's obligations without resorting to bankruptcy proceedings. An arrangement of this nature is only binding on those creditors who expressly assent to it. Such a Deed is void unless registered and stamped.

**519. ASSETS** are the whole of the funds, money, goods, and other property of every description belonging to a person or company, which may be made liable for debts. Assets include the debts owing to you by others. Assets are the debit balances of the real and personal a/cs. in the Ledger. *Wasting Assets* are those which decrease in value, either by wear or tear, by the progress of invention, or by the effluxion of time.

**520. ASSIGNMENT.** An absolute transfer by deed of some right, interest, property or goods to another, called the assignee. A trader (the assignor) will sometimes execute an assignment for the benefit of his creditors, so as to enable them to realise his estate, and out of the proceeds to declare a dividend upon the

amount of their respective debts. The assignor should be careful to provide what shall be done with a surplus should the estate be so fortunately managed as to result in a surplus after paying 20/- in the £. Unless he provides that the surplus shall be handed to him or his family, a recent decision in the House of Lords (*Smith v. Cooke*) shows that it will belong to the creditors although it might lead to their actually receiving 40/- in the £.

**523. BANKER'S DRAFTS** are Bills of Exchange drawn by one banker upon another, requesting the payment of a sum of money to the order of the person named, generally on demand. The second banker is generally the London Agent of the country banker. For persons having no banking a/c., who may have to make either an inland or a foreign remittance of more than £20, a Banker's Draft is the most convenient mode and may be had free of charge if drawn payable at 7 or 10 days. The amount must be paid over the counter, together with the banker's commission if the draft is on demand. If you had a banking a/c. and ordered a draft, the banker would debit your a/c. with the amount and commission. Such drafts do not need to be accepted like term bills, because the drawee pays you immediately the bill is presented. If you were going abroad and wished to avoid carrying a large amount of cash, you could lodge your money in the bank and take a Draft on your banker's foreign Agent, who would give you cash for the Draft on arrival at your destination, no charge being made for such a foreign draft.

Some business men remit their creditors drafts in preference to cheques. A slip is filled up giving all the particulars of the Drafts required, and then handed to the banker. He draws and signs the Drafts, which you remit in due course. The chief advantage of these Drafts is that the London agent of the country banker is informed of the amounts of the Drafts, thus rendering any attempt at fraud or forgery impossible.

**527. BILLS OF EXCHANGE.** **Drawer's Liability.** The drawer of a Bill, by drawing it, engages that on due presentment it shall be accepted and paid, that if it be dishonoured he will compensate the holder or any endorser who is compelled to pay it, provided that the requisite proceedings on dishonour be duly taken. By drawing a bill, the drawer gives an implied undertaking that upon presentation to the Drawee it shall be accepted.

To endorse a Bill is to write one's name across the back of a bill, thereby engaging to compensate the holder or a subsequent endorser should it be dishonoured by the acceptor. By endorsing a bill, an endorser takes upon himself the responsibility of a new drawer. Endorsements are divided into two classes, "blank" or "general" and "special." A blank endorsement is one where the endorser (in order to transfer his interest in the bill) simply writes his name on the back of the bill without specifying the endorsee. An endorsement is special when the endorser transfers his interest in the bill to some special endorsee, say John Smith, as follows :—

"Pay John Smith, or order."  
"Pupil Bros."

The effect of this special endorsement is that the instrument is only payable to the order of John Smith, who must further endorse it on negotiation. An Agent, or any other person who endorses and does not want to become *personally* liable, should add to his name the words *sans recours*, or without recourse to me, by which means he will avoid the contingent liability to which he would otherwise be subject, if the acceptor failed to honour the bill. In addition to the endorsements consequent upon the ordinary negotiation of a bill, it sometimes happens that the acceptance by a certain person of a bill is not considered sufficient. That person may not be regarded as reliable for payment of the amount, and the drawer insists on someone endorsing or backing the bill which leads to a friend of the acceptor endorsing it, and thereby making himself liable for the amount in case of dishonour. Endorsers of a bill must therefore be always informed of dishonour, as all of them are, collectively and individually, liable for the amount. When the back of the bill is filled with endorsements, further signatures may be written on an allonge, which is a slip of paper of similar size and shape to a bill, pasted on the end thereof. The allonge must be attached to the bill before it is endorsed, otherwise it might become affixed to the wrong bill. The first endorser on the allonge should so write his name that it appears partly on the bill and partly on the allonge, in order that the allonge may not be detached and attached to another bill of higher amount.

In negotiating a bill, although endorsement is generally required for the security of the transferee, it is not always absolutely necessary. For instance, a bill or note payable to bearer is negotiated by delivery, as well as a bill or note payable to a person named, after he has endorsed it in blank, which endorsement makes it payable to bearer, and therefore also negotiable by mere delivery or transfer of possession. The person delivering the bill is called the transferor, and the person receiving it the transferee. Unlike an endorser a mere transferor does not, of course, incur any liability on the bill. A bill drawn in favour of "*Tom Sykes only*," would prohibit its transfer, and would therefore be not negotiable, that is, its value could not be transferred to another by delivery. The same remarks apply to a bill with a *restrictive endorsement* as "*Pay John Smith only, Pupil Bros.*"

**Case of Need.** The drawer of a bill being unable to know for certain whether the drawee will accept or, having accepted, will pay, may insert the name of a person to whom the holder may, if he pleases, resort in case of non-acceptance or non-payment. This person is called a "*referee in case of need*." In other words "*a case of need*" is a statement occasionally put upon a bill of exchange by the drawer or one of the endorsers, naming a person who will guarantee its payment, and to whom the holder may have recourse in case of dishonour. The following is the usual form:—

"In case of need apply to JOHN SMITH,  
622 Moorgate Street, E.C.,  
Pupil Bros."

The purport of this is, that if the bill is not paid at maturity John Smith (who knows your firm to have a reputation for integrity and financial honour) will pay it for your honour. Pupil Bros. would, of course, communicate with John Smith and ask him (if necessary) to protect their signature by accepting the draft, so that they might be saved the discredit of it being said that a draft of theirs had been dishonoured.

**Liability and Security.** The acceptor of a bill is the person who is to be liable to the drawer, so long as it remains in the drawer's hands, and he (the acceptor), is *always* the person *primarily* liable to the holder; and when the drawer delivers the bill to the payee, or bearer, or by endorsement transfers the bill to another, the drawer in his turn becomes liable as well as the acceptor, to the holder of the bill, and so does every subsequent endorser, the security thus increasing with each endorsement.

**Accommodation Bills** (sometimes called "kites" or "windmills") are bills drawn, accepted, or endorsed, though no consideration or value has been given for them. Such bills are usually made by two or more persons with a view to their being discounted for the temporary convenience of and accommodating one or more of the parties concerned, each of them agreeing to provide the acceptor, at, or previous to its due date, with funds to meet the bill.

A **long bill** is one having a long term to run, as 6 or 9 months after date or after sight; while a **short bill** is one payable on demand, at sight, or having less than 10 days to run; also those bills received by bankers for collection and which have nearly matured. **Short exchange** is the rate for cheques or drafts at sight, or payable within a day or two. There being no question of interest involved, the variations of the short exchanges above or below the mint Par is the measure of the monetary balance of trade, including therein the movement of floating capital.

**Sole** or **sola** means only one bill as opposed to a "set"; **First** denotes the first of a set; a **Copy** is a facsimile or duplicate; and **Vla** means any one of a "set of bills."

The **holder** is the person in actual or constructive possession of the bill, and entitled at law to recover its contents from the parties to it. If the holder takes a **composition** from the acceptor or maker, the other parties are discharged. Part payment, of course, has no such effect.

**532. BOND.** A bond is a document under seal by which a person binds himself to pay a sum of money at a given time, or under special conditions. The person giving the bond is called the *obligor*, and he to whom it is given the *obligee*. Bonds are often given by Governments and Corporations as securities for loans. According to their character they are named respectively: Bonds to Bearer: Currency Bonds; Exchequer Bonds; Gold or Sterling Bonds; Lottery Bonds; Registered Bonds.

**533. BONDED GOODS.** Merchandise liable to duty, deposited in Government or Bonded Warehouses (known in France as Entrepôts) until the duty upon them is paid. While the duty

remains unpaid the goods are said to be "In Bond," a bond having been signed on behalf of the owners, that the duty will be paid when the goods are removed for consumption.

**555. BOOK DEBTS** are the unpaid a/cs. or debts receivable standing in a merchant's books, that is, the amount owing to you by your customers, or debtors; the Dr. Balances of personal a/cs.

**557. COPYRIGHT** is the sole legal right to print or publish anything which belongs to the author or his assigns. Copyright commences from the date of first publication, and the author is deemed to be the first owner of the copyright therein. The duration of copyright is the life of the author and 50 years after his death. A copy of every book should be sent to the British Museum within one month of publication. The only safe way to regard money expended upon the purchase of a copyright is to treat it as the purchase money of a terminal annuity of very short duration.

**562. A CREDIT NOTE (C/N.)** which is a statement (in red ink), sent to a person showing the particulars of an amount in respect of which you are crediting him, is generally used when goods are returned, an abatement is being made, or an over-charge rectified.

**CREDIT NOTE.** 625 Cheapside,  
LONDON, 22nd June, 1919.  
*Messrs. Owen & Dew, Leeds.*  
Cr. in A/c. with Charles Mee & Co., Ltd.

By return of Goods invoiced 19th June .....	£	9	10
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**564. A DEBIT NOTE (D/N.)** which is a statement, in the form of an invoice, sent to a debtor, showing the particulars of an amount in respect of which you are debiting him, is used when you discover that he has been undercharged for certain goods, or in the event of an invoice being undercast.

**DEBIT NOTE.** 625 Cheapside,  
LONDON, 30th June, 1919.  
*Messrs. Owen & Dew, Leeds.*  
Dr. to Charles Mee & Co., Ltd.

To Undercasting of Invoice dated 25th June .....	£	1	-	-
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**565. DEBTOR and CREDITOR.** A Debt is that which is due from one person to another, whether money, goods, or services and whether payable at present or at a future time; that which one person is bound to pay or perform for another. When a debt becomes due, it is the duty of the debtor to pay it without waiting for any demand. It is in general the duty of the debtor to seek out his creditor for the purpose of paying him. A creditor is not bound to give change to his debtor, whose duty it is to tender the exact amount of his debt in legal currency (see Legal Tender). The ordinary mode of enforcing a debt, not exceeding £50, is by commencing an action in the County Court; for a larger sum proceedings must be commenced in the High Court, but either party may have the action reinitiated to the County Court if the amount does not exceed £100. Crown Debts are those due to the Government or Crown in respect of Taxes, &c. The Crown claims priority for its debts over all other creditors, and to recover them by summary process. A Judgment Debtor is one to whom directions have been given by a Judgment of the Court to pay a sum of money to another person, known as the *Judgment Creditor*. The Debtors' Act, 1<sup>st</sup> June 1869, abolishes imprisonment for debt except in case of default of payment of penalties, default by trustees or solicitors, and certain other cases; and provides for committal of debtors in default of payment of judgment debts which the debtor *can but will not pay*, and in certain other cases. It also provides for the punishment of fraudulent debtors.

**567. DEMURRAGE.** A charge of so much per day made by the owners of vessels for their detention beyond a specified time. Legal holidays and Sundays are not charged for. The term is also used for a charge made by railway companies for detaining their horse boxes, waggons, trucks, &c., beyond a given time. Keelage refers to the dues or fees paid by a vessel on her entering and resting in certain ports and harbours in the Kingdom.

**570. DIVIDEND (Div.)** (1) A share of the profits of a Public Company; the interest payable on any portion of the national debt or other stock. "*Ex-Dividend*" is a stock exchange phrase to signify that the price at which a given security is quoted is *exclusive* of dividend. Unless so specified the security in question is "*cum-dividend*," meaning that the interest accrued since the previous distribution is covered by the purchase money. A *dividend warrant* is an order for payment, in the form of a cheque payable on demand, and therefore transferable by endorsement. An *interest warrant* is an order for the payment of a periodical dividend, and is generally sent by post to the holders of registered and other public stocks, as the interest becomes due. *Coupons* are certificates of interest or dividends bearing different dates attached to the foot of transferable bonds and debentures. The word "*coupon*" means a cutting, and as the dividends fall due the certificates are cut off and paid into the bank for collection just like a cheque. (2) The share paid to the creditors out of the funds realised from the

sale of an insolvent's estate. These dividends are sometimes paid by instalments. For instance suppose that the whole of the assets of an insolvent cannot be immediately realised, the Trustee or Official Receiver would probably declare a "first dividend of 5/- in the £," and subsequently declare a "second and final dividend of 5/- in the £."

**573. ENDORSEE.** The person who requires the right conveyed by any negotiable instrument H/C, B/L, D/W, D/O, in consequence of its being made over to him by endorsement. An endorser is one who endorses a bill or other negotiable instrument, and thereby transfers his interest or claim therein by writing his name at the back of such instrument.

**574. ERRORS EXCEPTED,** or Errors and Omissions Excepted (E.E. and E. & O.E.) generally written at the foot of invoices, statements, and so on, in order to reserve the right of making rectifications at any future date.

**577. A FIRM OFFER or REFUSAL** is one where goods are offered to a merchant at a certain price within a given period, and until he has either refused them or the period has expired, they are not offered to anyone else.

**578. A FOLIO (Fol.)** is an opening in a book of two pages facing each other, both pages having the same number. This word, however, is often employed when speaking of a separate page, particularly when containing a debit and credit side.

**579. FORGERY** is the fraudulent making or alteration of a writing or seal to the prejudice of another man's right or of a stamp to the prejudice of the revenue.

**581. FREIGHT.** The amount paid for the hire of a ship or a charge for carrying or transporting goods or cattle by water. The cargo of a ship. *Deck freight* is the compensation paid by the freighter of a whole ship for space remaining unoccupied when the cargo is not a full one.

**593. I.O.U.** a written acknowledgement of a debt, so called because it commences with those letters which custom has substituted for the words "I owe you" because they have the same sound. It ordinarily runs thus:

*To Mr Henry Leader I O U Five Pounds,*

*John borrower 1st January, 1922*

If in the above form, it requires no stamp, being neither receipt, agreement, nor prentiss or note. If it contains a promise to pay the money it must be stamped as a promissory note, or as an agreement if the subject of which is of the value of £5. It is evidence of an account stated (see part 503) with the creditor, if named, if he is not named it is prima facie evidence of an account stated with the person producing it. It is not negotiable.

**594. INSOLVENT** denotes the state of being unable to satisfy the whole of your creditors in full. Inability to pay twenty shillings in the £. Solvent means the opposite. A Composition is a payment of so much in the £ by an insolvent debtor in settlement of his debts, in lieu of the whole amount owing.

596. An **INVOICE** (Inv.) is a statement setting forth full particulars as to the quantity, quality, and price of goods sold or consigned to a purchaser or factor; the contents and marks of each parcel, and the charges (if any) upon them. Whether you purchase or sell goods, it is customary and advantageous for an Invoice to pass between the parties, simultaneously with the transmission of the goods. The advantages of an invoice are that on arrival of goods you can compare them with the particulars contained in the invoice; and should any discrepancy be discovered it can be speedily rectified by communicating the facts to the seller of the goods. A **Pro Forma** invoice is an imaginary one made out *for form's sake*, in order to ascertain what the charges are likely to be; and also for the use of the Customs authorities when goods are being consigned to some places abroad. Some merchants, when receiving orders to buy certain goods somewhat outside their general line of business, ask for a *pro forma invoice* of the items they are about to purchase, in order to ascertain the current market price of the goods, the manner and cost of packing, the discount, terms of payment, and the approximate cost the order would amount to.

Telegrams: "Cloth, Huddersfield."  
Telephone No. 160.

907 New Street,  
Huddersfield.  
28th November, 1918.

Thomas Sykes, Esq., Park Lane, Leeds.

Bought of SILVERWOOD & Co.,

Woollen and Worsted Manufacturers.

Terms: One clear month's credit. Dis. 2½%.

Stock No.	Yards.		£	s.	d.
2834	51 as 50	Black Serge .....	1/11	4	15 10
2936	44 .. 43	" Vicuna .....	2/2	1	13 2
3004	46 .. 45	Blue Beaver .....	2/6	5	12 6
4616	59 .. 58	Light Fancy Tweed .....	2/8	7	14 8
1718	63½ .. 62½	Coarse Cheviot .....	3/-	9	7 6
5108	49 .. 48	Black Worsted.....	3/1	7	8 -
7346	52 .. 51	Woollen Cord .....	3/4	8	10 -
5110	29 .. 28½	Grey Overcoating .....	3/6	4	19 9
5111	37 .. 36	Oxford .....	3/7	6	9 -
			£	59	10 5
		Discount.....	2½%	1	9 9
		Received by cheque £58 - 8,			
		1st Jan., 1919, Silverwood & Co.	£	58	8 -

**601. LEASE.** A document setting forth the conditions of a contract for letting lands or buildings for a life, a term of years, or at will, usually in consideration of an annual rent. The party who grants the lease is called the "lessor," and the party to whom the premises are leased, the "lessee." In a/c/s. of leasehold property such an amount should be written off each year, in respect of the diminishing value, that the entire value will be exhausted at the expiration of the lease. An easy method of calculating the price that should be paid in order to receive a return of capital by the time of the expiration of the lease, and a fixed rate of interest upon such capital is as follows:—Divide the proposed purchase money (say £720) by the number of the years to run before the lease expires (say 60), this may be taken to represent annual repayment of capital (say £12). Deducting this amount from the net annual rental (say £55) leaves a balance of £43, which is equal to nearly 6% on the purchase money.

**603. A LETTER OF CREDIT (L.C.)** is a communication addressed by bankers or merchants to their correspondent or agent, either at home or abroad, requesting him, upon the credit of the writers, to advance the bearer a specific or an unlimited sum of money, and debit the amount paid to their a/c. The chief differences between a L.C. and a B/E. are that the former is not an *order*, but a *request* of payment; that a L.C. needs no acceptance; is not negotiable; and cannot be protested for non-payment.

**603. LIABILITIES** denote the whole amount of the debts owing by a person or company, and also any contingencies that might probably arise from financial obligations. Liabilities are the credit balances of the real and personal a/c/s. in the Ledger.

Contingent liabilities are those dependent on an uncertain issue, of doubtful occurrence, which may or may not happen. For instance a bill receivable which you have negotiated creates a contingent liability, inasmuch as you may be called upon by the owner to pay the contents in the event of the bill being dishonoured by the acceptor. Again, should you become a surety or bond on behalf of a principal, by guaranteeing the repayment of a sum of money, or indemnifying an employer in respect of any losses occasioned by an employee, you would in the event of the principal failing to fulfil his obligation, become liable for the amount specified. Bankruptcy is sometimes caused by such liabilities becoming immediate.

**613. MONEY.** Value may be defined as the general purchasing power of a commodity, while Price is such value expressed in relation to money. The value of a thing is the amount of other commodities for which that thing can be exchanged; or the worth of that thing measured in the terms of some other thing. Price is the consideration which is given under a contract, in exchange for the supply of commodities or services. Thus, a Sale is defined to be the transfer of the property in a thing for a price. Therefore when goods are exchanged for goods there is no price, and the contract is one of barter and *not*

of Sale. Money is a measure of value and a medium of exchange; or that substance, of whatever nature it may be, which is, by common consent, and for the convenience of the community, employed to represent goods in effecting their sale. In civilized countries, gold, silver, and bronze coins of a certain weight and fineness are used as money, on account of the scarcity of these metals, their portability, durability, uniformity and easy divisibility. **Currency** is a term applied to the legal medium of exchange of a nation, such as the current coins and notes authorised as legal tender. The circulating medium or currency may be of two kinds : (1) Metallic or Specie. (2) Paper. Metallic currency consists of coins, which are pieces of metal of certain weights and fineness bearing a legal stamp. Bullion is gold and silver of varying fineness or purity in the form of bars, dust, groups, and coins. Coined money is of two sorts, which are called respectively standard money and token money, the latter consisting of coins which are not intrinsically worth the amount named upon them; e.g., the silver and bronze coins. Standard money is that in which the fine metal used is the standard metal of the country and is generally known as the standard of value, which has been defined as that coin or basis upon which the currency of any country is measured and regulated. England is a "gold standard" country; Mexico and China are "silver standard" countries; while France has nominally a double or bi-metallic standard, but practically she has a gold standard, only gold being coined. Sterling is the name given to standard English money or coin. Paper-currency or circulation consists of Bank Notes and similar documents which not only represent money, but which are made legal tender by the Government as being worth in coin the amount named upon them. The efficiency of paper money as a substitute for coins depends on whether the owner can obtain the equivalent in coin whenever he wishes it. When paper money can be exchanged for coin to its face value on demand at the Government Bank it is called *Convertible*; for instance our Bank of England notes are convertible, as they are exchangeable at the Bank into sovereigns on demand to the full amount of their face value. "*Inconvertible*" paper currency is that which cannot be exchanged for coins on demand, but must be accepted as representing its face value. Such a currency is only legal tender for any amount in transactions between the inhabitants of the particular country adopting it. In questions of exchange with a foreign country inconvertible paper money is always at a discount, that is, it circulates at a varying rate below the value of the coin which it professes to represent. Such a discount is known as *agio* or *premium* which may be defined as the difference of value existing between real and nominal money as shown by the Continental rates of exchange; or the difference of value between specie and paper money in those countries, where notes are not exchangeable for gold. Thus it is said, for instance, that *gold is at a premium of 5% on paper*, or that *there is an agio of 5% on gold*, which means that 105 units in paper money are given for 100 units in

**gold.** Legal Tender means the current coin or medium of payment that may be lawfully offered in payment of a debt. They are :—Gold of the full weight to any amount, Silver up to 40/-, Bronze up to 1/-, and Bank of England Notes up to any amount in England and Wales, but no one can be compelled to give change for such notes except the Bank itself. A tender must be absolute and unconditional, and the money must be actually produced at the time of the tender. The word Bi-metallism is used to describe the employment of two metals, to form at the same time, in combination with each other, the standard of value. A bi-metallic system of currency to be completely effective must, in the view of those who advocate it, include two essentials : (a) An open mint ready to coin any quantity of either gold or silver, which may be brought to it. (b) The right on the part of a debtor to discharge his liabilities, at his option, in either of the two metals, at a ratio fixed by law. The term Mono-metallism is applied to designate a monetary system in which the standard of value consists of one metal, whether silver or gold. Moneys of Account are the denominations or divisions of money in which accounts are kept. They may or may not correspond with coins in circulation, e.g., the moneys of a/c. of England are £ s. d., while in the case of France they are francs and cents. The Latin Union is the monetary union organised between France, Belgium, Greece, Italy, and Switzerland, in all of which countries the amount in francs, &c., are converted as 25 = £1.

**C17. A NEGOTIABLE** document or instrument of credit is one which, in its transfer from one person to another, conveys to and vests in the holder a legal right to the money or property which the document is issued for, or which it represents. Negotiability does not attach itself to every instrument, but only to those which have obtained it either by mercantile custom or statute : B/E., P/N., Cheques, Exchequer Bills, East India Bonds, Circular Notes, Dividend Warrants, and certain Scrip and Bonds are negotiable. The term "Not negotiable" has no statutory signification whatever on any document except as part of the crossing of a cheque.

**C18. PAR.** Equal value. Stocks and shares are said to be at par when their respective market and nominal or face values are the same. When the price of stocks or shares is *higher* than the face value they are said to be *above par* (or at a premium), and when the price quoted is *lower* than the face value they are said to be *below par* (or at a discount). A nominal share of £1 fully paid, if quoted at  $\frac{1}{4}$  premium would be 25s. per share; or a nominal share of £1, with 10/- paid up quoted at a  $\frac{1}{4}$  premium, would be 15s., £100 nominal stock, if quoted at 101, would be at a premium of 1.

**C20. PATENT** is the name of a grant by the government of a country of a privilege enabling the patentee or his licensees to make, use, exercise and vend the invention, and to restrain any unauthorised person from using or imitating it. The duration of a patent when granted is 16 years, but every patent ceases on

failure of the patentee to make the prescribed payments or annual instalments, unless he can show that the default arose through an accident or mistake. Depreciation should be charged periodically, having due regard to the date of the expiration of the Patent.

**625. PREMIUM.** (1) An annual payment for Insurance against loss by fire, &c., or to assure a certain amount of money being paid on a person attaining a given age, or at death. (2) The excess in quotation over the nominal paid-up amount of any security. (3) A payment to any employer on a pupil becoming articled or apprenticed.

**626. A PRICE CURRENT (P.C.)** is a list showing the market price of commodities. These lists are published in the daily newspapers and also in the various trade journals. Many merchants issue a Price Current to their customers either bi-weekly, weekly, fortnightly, or monthly, showing the articles dealt in, and the current market price of each. Some firms keep blank forms of prices current, the names of the staple articles of their place being printed, the columns for prices being left blank. A Price List merely shows the *definite price* of articles offered for sale. These lists are chiefly issued by retail drapers, grocers, &c., in the form of newspaper advertisements and handbills.

**628. PRINCIPAL.** A responsible person for whom an agent buys, sells, or transacts other business; also a partner or head of a business house. The word "principal" is also applied to money lent out at interest.

**633. QUARTER DAYS.** *England*: Lady Day, 25 March; Midsummer, 24 June; Michaelmas, 29 Sept.; Christmas, 25 Dec. *Scotland*: Candlemas, 2 Feb.; "Whitsunday," 15 May; Lammas, 1 August; Martinmas, 11 November.

**637. REBATE.** Generally an abatement or allowance in price. Strictly, discount returned by a banker on a bill taken up before maturity, or by a banker or bill broker when discounted bills are taken back again, previous to their arriving at maturity, by the parties who placed them under discount. An Abatement is a deduction from a quoted price or value.

**638. RECEIPT (Rec't.).** A written acknowledgment of something having been received. A receipt for money when the amount is for £2 and upwards, requires a twopenny stamp, which, if adhesive, must be cancelled by being written across, the cost of the stamp being borne by the receiver. A receipt should, at least, state the date, the name of the payer, the amount, what the payment is for, and the signature of the receiver, as below. A receipt written either on the front or the back of a stamped cheque requires a receipt stamp; either one twopenny or two penny stamps. A Voucher is any book, document, or writing in proof of the payment or receipt of money; or which in any way serves to attest the truth or correctness of accounts, or any other monetary transactions. As far as possible Petty Cash payments

should be initialled in the P.C. Book by the person receiving the cash; and payments by the cashier to his principals should be initialled in the C.B.

5 Dock Street, Leeds, 28th December, 1922.

GRAY'S ESTATE.

Received from Mr. George Terry the sum of Twenty Eight Pounds Ten shillings, being one half-year's rent due to the Trustees of John Gray, deceased, at Christmas last.

Cash....	£27 16	-
Tax ....	- 14	-
	<u>£2S 10</u>	<u>-</u>

H	ENRY HORN
For Self	and Co.-Trustees.

Receipt a Statement thus:—

Received payment by cheque, £95 8s. 10d.

5th	JULY, 1922.
CHARLES MEE & CO., LTD.,	
	JOHN DAY, Secretary.

**639. A RECONCILIATION STATEMENT** is one that is sometimes made out for the purpose of adjusting or testing the accuracy of certain a/cs., such as a Rental, with the Rental of the previous year or the contents of the Cash Box with the balance of the Cash Book (see par. 87); or the Bank Column of a Cash Book with the Pass Book (see par. 93).

**641. REMITTANCE.** A sum of money sent, transmitted, or remitted from one person to another, whether it be by bullion, coin, note, cheque, B/E., M/O., P/O., or stamps.

**645. SALVAGE.** An allowance or compensation made to those by whose exertions ships or goods have been saved from the dangers of the sea, fire, pirates or enemies. The term is applied to the goods and other property saved. A Derelict is a ship that has been abandoned at sea.

**653. STAMP DUTY.** A tax imposed for revenue purposes, on bills of exchange, bank notes, cheques, licenses, deeds, and documents of every description (except wills and I.O.U.'s) receipts for money over £2, playing cards, &c. The term *ad valorem*, meaning according to the value and not to the number, weight or measure, is used in commerce principally with reference to the *ad valorem* custom and stamp duties, which are

levied by the Customs and Inland Revenue Departments of the Government on goods and documents at certain rates *per cent.* on their value.

**650. STATEMENT.** An a/c. rendered at certain times usually monthly or quarterly, giving dates and amounts only of each delivery of goods since last settlement, together with any charges; and after deductions for returns, payments on a/c., allowances, &c., showing amounts due at date of statement. It is really a demand for payment.

625 Cheapside,

LONDON, 20th June, 1922.

Messrs. Owen & Dew, Leeds.

Dr. to Charles Mee & Co., Ltd.

			£	s.	d.	£	s.	d.
1917								
April 1	To Balance brought forward.....							
" 4	" Goods .....		17	16	3			
" 7	" do .....		86	4	9			
" 10	" do .....		43	8	4			
" 20	" do .....		5	19	6			
May 7	" do .....		19	7	2			
" 15	" do .....		7	4	5			
" 22	" do .....		26	19	11			
June 9	" do .....		13	4	2			
" 19	" do .....		2	9	10			
" 25	" do .....		16	18	9			
" 28	" do .....		46	9	2			
" 30	" do .....		17	16	9			
" 30	" Undercastings, 25th June .....		1	-	-			
						253	19	-
May 3	By Cash .....		171	16	4			
June 2	" do .....		63	11	6			
" 22	" Returns .....		2	9	10			
						227	17	8
						£	95	8 10

**654. STATUTES OF LIMITATIONS.** The enactments fixing the periods within which rights must be established and debts recovered. The periods of limitations vary from 14 days to 60 years from the cause of action according to the subject of litigation. A common debt is *Statute barred* after a lapse of six years, unless a promise to pay or an unqualified acknowledgement in writing has been made by the debtor, in which case the debt is revived.

**660. TARE** is the weight of a case, bag, box, sack, cask, chest, can, glass, wrapper, or other article wherein goods are packed; hence the word is also used as meaning the allowance, deduction, or abatement made in respect thereof from the gross weight of the package. Tare is calculated in five different ways, viz.:—(1) by Real tare, which is found by actually ascertaining the weight of the boxes, sacks, vessels, &c., wherein

goods are packed, and deducting it from the gross weight of the parcel; (2) by Average tare, where the packages are numerous and of a similar size, when only a few are weighed so as to form an average for the whole; (3) by Customary tare, which is an established allowance for the weight of packages on the gross weight of certain goods, fixed by the custom of each particular trade; (4) by Estimated tare, which means that the weight of the packages are computed and an estimated allowance agreed upon at the time of sale; (5) by Super tare, by granting an additional allowance when packages exceed a certain weight. Tret is an old customary allowance of 4lb. on every 10*1* lbs. on certain articles of merchandise as a compensation to the buyer for wear, damage, or deterioration in transit, or for the dust or sand mixed with any commodity. Draft or Waste is an allowance or deduction often made on the gross weight of goods in consideration of their being damp, or mixed with dust, rubbish, or other extraneous substance.

**661. TERMS as to Price and Payment.** "Loco" merely means that the price quoted is the price of the goods sold at the place where they lie, without including any charges whatever for transit or removal. "F.A.S."—free alongside ship—denotes the place of delivery, and that the seller pay all charges upon the goods up to their reaching the ship's side, when the buyer must attend to their being put on board, and pay the dues and charges for slinging, &c. "F.O.B."—Free on board—indicates that the price quoted covers the cost of the goods, carriage to port, and shipping charges: i.e., the seller puts the goods on board free of all expense to the buyer, who pays the freight. "C. & F." cost and freight—means that the price is to cover the cost of the goods, shipping charges and freight, in fact all charges to the destination of the vessel except insurance. "C.I.F."—cost, insurance and freight—means the last paragraph, plus insurance. "Franco," "Rendu," or "Free," means c.i.f. plus foreign import duty and carriage to the door of the buyers. i.e., the price includes every possible charge. "C.O.D."—cash on delivery—denotes that the buyer must pay for the goods at the time of delivery. "Prompt Cash"—payment within two or three days of delivery. "Cash" or "Net Cash"—payment within a week or ten days. "2*1*/<sub>2</sub>% for Cash" denotes that this discount will be allowed if payment be made within about a week of delivery. "5% within a month"—this allowance will be made subject to the payment within one month from date of delivery. "Prompt Cash less 4 mos."—means payment within a day or two less 4 months interest at 5% per ann.; e.g., on £100 the discount would be £1 13s. 4d. "3 mos. net" denotes 3 months credit and no discount. "Cash against documents" indicates payment on delivery of B/L. and Policy. "Documents against acceptance" denotes that the shipping documents must not be handed over to the buyer until he has accepted the B/E. "Documents against payment" the buyer must pay or honour the B/E. before receiving the shipping documents.

**662. A TRADE MARK** is a name, symbol, picture, form or device applied to a trader's goods for the purpose of distinguishing them from the similar goods of other traders in order that he may secure to himself the profits arising from their reputation for superiority. A trade mark differs both from a patent and from a copyright in its legal character. When Patent right and Copyright protect the substance of the articles, the protection in the case of a trade mark extends only to the device or symbol which is invented and adopted to designate the goods sold. A record of registered trade marks is kept at the Patent Office, 25 Southampton Buildings, London, W.C. 2.

**664. TRUE DISCOUNT** is the difference in value between a debt due on a given date and the present time. For instance a £1, drawn on the 1st Jan., payable in 3 mos. for £5050 would on the 4th Jan. be worth £5000, if discounted at 4% per ann. True discount however, is rarely allowed in such transactions. In the above example the discounter would deduct from the principal the *Commercial* or *Banker's* discount of £50 10 .. which is practically interest at 4%.

**666. TURNOVER.** The total sales of a trader within a given period. In banking, the total of the debits or the total of the credits placed to an a/c within a given period

**674. WATERING.** The act of increasing the face value of stock or shares without making any equivalent increase in the value of the assets they represent

**677. WINDOW DRESSING** is the arranging of a Balance Sheet by a company so as to make a good show

**678. WITHOUT PREJUDICE.** A phrase used in negotiations of compromise or offers to settle disputes, in order to guard against any waiver of right should they be ineffectual and go off.

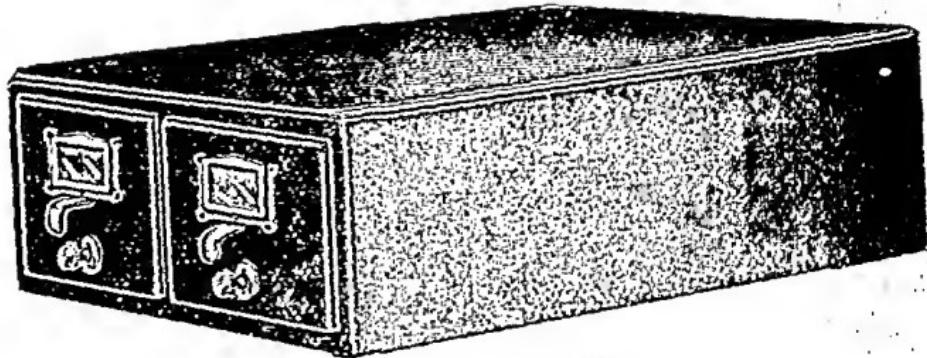
**680. YIELD.** A statement that a stock or share will yield so much per cent, means that the return to the investor is at that rate on every £100, or part of £100, of capital sunk. For instance, a 4½ per cent stock at 108 will yield £4 1 8 per cent.

Ledger Index.—Ordinary System.

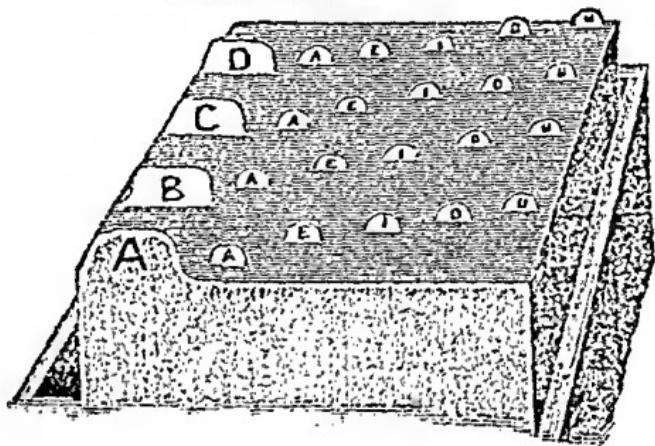
<b>A</b>		<b>B</b>	
Allan & Co.....	5	Banks, Frank .....	6
Ankrett, Harry .....	18	Bailey, Ernest.....	16
Ansell, George .....	24	Best, Oliver.....	28
Aitken, John .....	43	Bedell, Thomas .....	39
Anderton, Thomas.....	62	Brierley, Joseph.....	51
Argo, James .....	71	Binks & Co .....	81
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**INDEXING.** (See par. 249.) **VOWEL SYSTEM.**

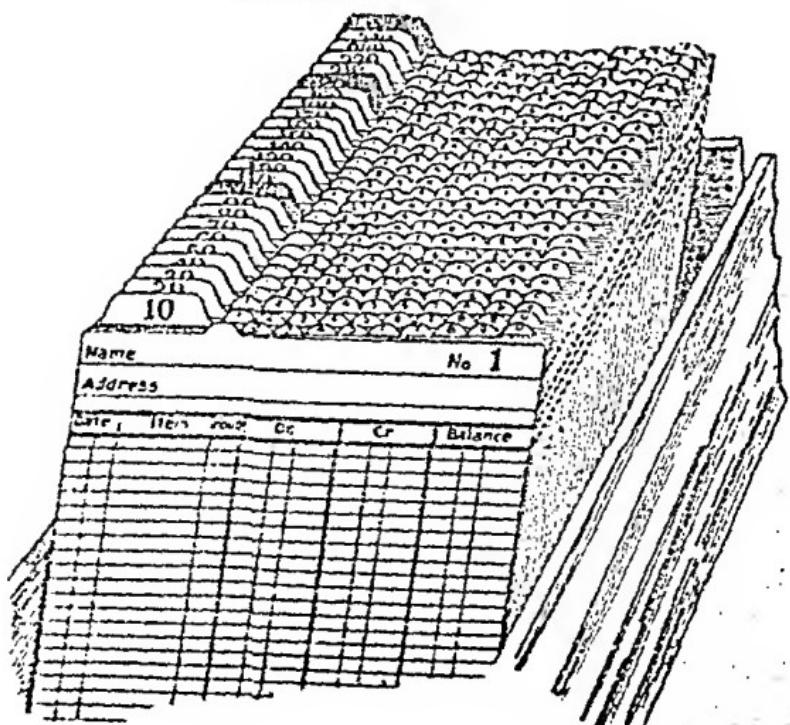
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CARD INDEXING.



VOWEL INDEX.



NUMERICAL CARD LEDGER.

## QUESTIONS.

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1. Define Book-keeping.
2. What is the cause of Book-keeping.
3. Is Book-keeping compulsory in this or any other country?
4. What are the principal reasons for keeping an accurate record of your transactions?
5. Define "Transactions" and name six kinds.
6. Name five questions which your books should answer.
7. What are "Services"?
8. Explain the two methods of recording transactions.
9. To what use is the Waste Book put?
10. What would you call a classified record of your transactions with A. Jones?
11. What book contains the classified record?
12. How is an account kept?
13. What must be done with an a/c. before making an entry therein?
14. When is a person a Debtor and when a Creditor?
15. When is an a/c. Dr. and when Cr.?
16. Name and explain the two great classes of a/cs., and state which of them is subdivided.
17. **ON CASH A/CS.** To what class of a/cs. does Cash A/c. belong?
18. On which side of the Cash A/c. are Receipts entered?
19. On which side of a Cash A/c. must the *first* entry be made?
20. What word is prefixed to an entry on the Dr. side of an a/c.?
21. May the *name* of an account be used therein?
22. Define Capital.
23. Why should the insertion of noughts in the shillings and pence columns be avoided?
24. How is an a/c. balanced?
25. What is a balance?
26. When is an a/c. said to balance?
27. May the Cr. side of a Cash A/c. exceed the Dr.?
28. With what should the "balance" of a Cash A/c. correspond?
29. When balancing an a/c. how must the *totals* be placed?
30. When must a "£" be used?
31. How must the headings of a/cs. be written?
32. **ON GOODS A/CS.** To what class of a/cs. does the goods a/c. belong?
33. What are the objects of a Goods A/c.?
34. Why are purchases debited and sales credited?
35. If goods sold by you should be returned to you on which side of the Goods A/c. would their value be entered?
36. In addition to recording the value of purchases and sales what other fact must be shown in a Goods A/c. before the *result* of the trading can be arrived at?
37. If the Dr. side of a Goods A/c. exceeds the Cr. what does the *difference* represent?

38. Why does the Cr. side of a Goods A/c. generally exceed the Dr.?
39. What is meant by stocktaking?
40. At what price must "Goods on hand" be valued?
41. In taking stock, how would you deal with 20 silk hats out of fashion?
42. You have 40 sacks of flour, cost price 20/- each, market price at stocktaking 22/- each. What would you reckon them at?
43. How may you ascertain the separate profits on several kinds of goods?
44. What is the rule for entering all Real A/cs.
45. **ON PERSONAL A/CS.** What are Personal A/cs.?
46. What is the rule for entering Personal A/cs.?
47. How are they balanced?
48. What is a debit balance?
49. Which side of Smith's a/c. in your Ledger must be the greater to make you his creditor?
50. When both sides of an a/c. agree what is it said to do?
51. Why are the balances "carried down" when a/cs. are ruled off?
52. **ON PROPRIETARY A/CS.** What is the object of the P. & L. A/c.?
53. Name six sub-divisions of the P. & L. A/c. and state why these sub-divisions are kept.
54. What does the *difference* of a P. & L. A/c. represent?
55. Give the meaning of the word "loss."
56. Explain the difference between "gross profit" and "net profit."
57. What effect has a "net loss" on your capital?
58. What name do you give to the difference of a P. & L. A/c.? and why?
59. What name is given in business to the A/c. of the Proprietor?
60. What are Impersonal A/cs.?
61. Define Capital.
62. What A/c. is debited when the Proprietor withdraws value?
63. Is more than one Capital A/c. ever needed for a business? And if so, when?
64. If you realised a net profit of £50, what effect would that fact have on your Capital A/c.?
65. On which side of the Capital A/c. would you enter "*Invested in business, Cash £500*"? and why?
66. "Net Loss." Would this be a Dr. or Cr. entry in the Capital A/c.?
67. **ON BALANCE SHEETS.** Define a B/S.
68. From what Book is the information for a B/S. principally taken?
69. What *classes* of Accounts show Assets and Liabilities?
70. Define Assets and Liabilities.
71. What is the object of a B/S.?
72. When the Liabilities exceed the Assets what is the difference called?
73. Are Credit Balances Assets or Liabilities?
74. On which side of the B/S. are Assets shown?
75. On which side of the B/S. are the A/cs. due to Creditors placed?

76. Define the word "insolvent."
77. When the Assets are greater than the Liabilities, am I solvent or insolvent, and what would the difference be called?
78. Which side of the B/S. should show the value of stock?
79. **ON DOUBLE ENTRY and JOURNALISING.** What is meant by the "Double Entry System" of Book-keeping?
80. Why should so called "Single Entry" be avoided?
81. What *class* of a/cs. does "Single Entry" fail to keep?
82. What is the name given to the only perfect method of Book-keeping? and what advantage does the system possess?
83. What is the most important book in B? and why?
84. What is a transaction?
85. Why must a transaction be recorded on both sides of the Ledger?
86. What errors is "Double Entry" unable to prevent?
87. Why may not the Ledger be compiled direct from the Waste Book?
88. What is the object of the Journal?
89. What *kind* of a record is the Journal?
90. Why are two money columns needed for the Journal?
91. Why is the Journal called a subsidiary book?
92. Define a Narration.
93. Define Journalising and give an example.
94. Why is the Dr. Money column before the Cr. in the Journal?
95. Is Cr. needed at the end of a Cr. line in the Journal? State reason.
96. Which of the two words "To" or "By" is *not* used in the Journal?
97. Describe how a Journal should be ruled off.
98. What Questions must be answered before any transactions may be recorded?
99. State the rules applicable on making entries in (a) Real and Personal A/cs. (b) Proprietary A/cs.
100. Why is a Capital A/c. absolutely necessary for every business?
101. Where must double horizontal red lines be ruled?
102. What must be written at the *bottom* of a page when the working is continued on the next page? and what at the top of the continued page?
103. Why should the insertion of noughts in the shillings and pence columns be avoided?
- 104. ON POSTING and BALANCING.** Define Posting.
105. What kind of a record is the Ledger?
106. In what order should a/cs. be placed in the Ledger?
107. May the name of an a/c. be used therein?
108. Immediately an entry is posted what is further required?
109. What are the pages of a Ledger generally called?
110. What method is adopted to test the accuracy of posting? Describe it.
111. After testing the posting what is the first step taken towards closing the a/cs.?

112. See questions on Goods A/cs.
113. To what a/c. is "Gross Profit" transferred? and why?
114. What is "Net Profit" and in what a/c. is it ascertained?
115. To what a/c. is "Net Profit" transferred? and why?
116. See questions on Proprietary A/cs.
117. How are Personal A/cs. balanced?
118. Explain the method of proving the books.
119. See questions on Balance Sheets.
120. In closing and ruling off *Real* and *Personal A/cs.* what must you be careful to do with the differences? and why?
121. **ON EXERCISE 20.** What are the two chief differences between a M.O. and a P.O.?
122. In opening a Journal why are Assets always debited?
123. What are "opening entries" and why should they be totalled before proceeding to record the transactions?
124. What is an Invoice?
125. Prepare the two invoices required by the transactions on 1st and 13th Feb.
126. When posting opening entries what word must be used in the Ledger?
127. Define the term "Cash Sales."
128. What transactions are recorded in the Trade Exs. A/c.?
129. To what class of a/cs. does the T/E. a/c. belong? and why?
130. Why is the T/E. A/c. called a subsidiary P. & L. A/c.?
131. **ON BANKING and CHEQUES.** What is a Commercial Bank?
132. Name the principal sources of income of a Bank.
133. What is the difference between a Deposit and a Current A/c.?
134. What is a Deposit Receipt?
135. State the advantages of having a Banking A/c.
136. What is the first step in opening a Banking A/c.?
137. What is the use and arrangement of a Pass Book?
138. Define a Cheque and a Cheque Book.
139. What is the only method of withdrawing money from a Commercial Bank?
140. What is the stamp duty payable on a cheque?
141. How may cheque books be obtained? and who pays the stamp duty?
142. What is the name of that part of a cheque book which is retained by the sender? What particulars are entered thereon?
143. Name the three kinds of cheques.
144. What is meant by Endorsing and Presenting?
145. What is meant by Ante-dating or Post-dating a Cheque?
146. Do all cheques require endorsing? If not, why not?
147. Compare the effects of a "general" with a "special" crossing.
148. If you received a "crossed" cheque and had no banking a/c.. how could you obtain the cash?
149. What is meant by "drawing a cheque"? and what are the four essentials?
150. Explain the word "negotiable."

151. What would be the effect of the omission of "or order" and "or bearer" from the cheque?
152. Why is the amount stated twice in a cheque?
153. When is a cheque stated to be "stale"?
154. Under what circumstances must a Banker refuse to cash a cheque?
155. How soon should a cheque received be paid into Bank?
156. Who suffers the loss where a banker cashes a cheque upon which the signature of a customer has been forged?
157. Explain the term "not negotiable".
158. What a/c. is debited on the receipt of a cheque, and what a/c. is credited?
159. May a cheque received from a debtor be transferred to a creditor? If so, how?
160. What a/c. would be credited on paying away the last named cheque? and why?
161. On remitting a cheque drawn from your cheque book what a/c. would you credit?
162. How would you journalise a cheque drawn in favour of yourself?
163. What document are you required to use when paying money into the bank? and why? Write one out.
164. On payment in cash what acknowledgment does the banker give to the customer?
165. What is included in the term "Cash"?
166. What are bank notes and what advantage have they over coin?
167. Define "Legal Tender."
168. Why are some banks styled "Banks of Issue"?
169. Name the difference between "Country Notes" and "Bank Notes"?
170. **ON EXERCISES 21 and 22.** What kind of transactions may be combined in Journalising? and why?
171. When is the word "Sundries" used?
172. Draw the cheque sent to Cassell & Co on 6th March.
173. Draw the cheque referred to on 20th March, £15.
174. Draw the cheque sent to A. Day on 30th March, and show the counterfoil
175. Write the Credit Slip for 1st April presuming the £1950 to be made up of Cheques, Notes, Gold, Silver.
176. Draw a cheque for the £50 received from Bank, 4th April.
177. Prepare Invoice for 9th April.
178. Define a "Statement."
179. Prepare Statement of G. Webb's transactions for April.
180. Write Invoice of 6th April.
181. Prepare Statement for Coop & Co.'s transactions for April.
182. Define Insurance Premium.
183. **ON EXERCISE 23.** Define Interest and Principal.
184. Why is interest generally allowed to the proprietor of a business in respect of the Capital he invests therein?
185. What are Bank Charges? and how are they journalised?
186. Do Banks make any charge for cashing Cheques? If so, what?

187. State how often the Bank Pass Book is balanced, also what fact is then made known.
188. Define Discount and Commission.
189. What is the difference between "Cash" and "Trade" Dis.?
190. What is the rule for entering Discount?
191. To what a/c. is the difference of the Interest and Discount a/c. transferred on balancing? and why?
192. How is the amount of the "Capital" ascertained when it is not given in the opening entries?
193. Prepare Statements of the transactions of Penn & Co., also of A. Carr for May.
194. Draw Cheque for Rent on 30th May.
- 195. ON EXERCISE 24.** Define a Bad Debt.
196. When is a person a "Bankrupt"?
197. What advantage does a person derive from being officially declared a "Bankrupt"?
198. What is the difference between being "Insolvent" and "Bankrupt"?
199. Define "Composition" and "Dividend."
200. To what a/c. is the amount of a Bad Debt debited? and to what a/c. is it credited?
201. If you ignored the fact of the bankruptcy of a debtor for £100, what effect would it have on your B/S.?
202. What is an assignment for the benefit of creditors?
203. Why is the Bad Debts A/c. subsidiary to the P. & L. A/c.?
204. What a/c. would you credit on receiving an amount previously written off as Bad?
205. To what a/c. is Carriage generally debited? and why?
206. Define "Petty Cash."
207. What is a Petty Cash Book? Give a specimen page with 12 items thereon.
208. What is meant by the term "*On A/c.*"?
209. Give a definition of "Remittance."
210. Why is the Journalising of a Bad Debt similar to the journalising of Discount allowed by me?
211. What does "*Sold on Credit*" mean?
212. Prepare statement of A. Well's transactions for June.
- 213. ON EXERCISE 25.** Define Partnership and state the chief advantages thereof.
214. What is an Agreement of Partnership?
215. What events generally dissolve a Partnership?
216. Why is a separate a/c. necessary for each partner?
217. What are Partner's drawings? and how are they recorded?
218. Why must interest be charged to the Partners' A/cs. in respect of unequal withdrawals?
219. What is the object of a Partners' Drawing A/c.? and to what a/c. is the difference carried on balancing?
220. To what a/c. should Partners' Salaries be debited? and why?
221. Define Goodwill, and state upon what fact the sale price is generally based.

222. To what class of a/cs. does "Goodwill" belong?
223. To what a/c. must the Wages A/c. be transferred? and why?
224. Define Revenue.
225. To what a/c. must Income or Revenue be credited?
226. In dealing with fixed or movable property of any description, to what a/c. would Repairs, Painting, and other expenses be debited; and to what a/c. would permanent improvements and Additions be debited?
227. Give a Definition of Depreciation.
228. Name some of the methods used in arriving at Depreciation.
229. To what a/c. must the total of the Depreciation A/c be transferred? and why?
230. **ON PRACTICAL EXERCISES 26 and 20.** Of what do the majority of transactions consist?
231. Name some of the books required in practical work.
232. Why are Cash transactions entered in a separate book?
233. What is the difference between entering a Cash A/c theoretically and compiling a Cash Book practically?
234. See questions on Cash A/cs.
235. How may the balance of the Cash Book be proved?
236. To which side of the Ledger must the Dr. entries of the C.B. be posted? and why?
237. Define a Bought or Purchases Book.
238. What is a Guard Book?
239. From what source is the information for the Bought Book obtained?
240. To which side of the Personal A/cs. in the Ledger must the entries in the Purchases Book be posted? and why?
241. To what a/c. and on which side must the total of the Purchases Book be posted? and why?
242. Define a Sales or Day Book.
243. From what source is the information for the Sales Book obtained?
244. To which side of the personal a/cs. in the Ledger must the entries in the Sales Book be posted? and why?
245. To what a/c. and on which side must the total of the Sales Book be posted? and why?
246. What is the position of the date and Ledger folio column, respectively, in the Purchases and Sales Books?
247. How must the date and the names of the persons be written therein.
248. Make out the two Invoices for the 2nd and 3rd August. Ex. 26.
249. For what purpose is the Journal used in practical work?
250. What are "Opening Entries?"
251. **ON PRACTICAL EXERCISES 21 and 22.** Why should the Bank A/c. be kept in the C.B.?
252. On which side and in which column of the C.B. are payments by cheque entered? and why?
253. Why does a "Cheque drawn for cash" require entering on both sides of the C.B.?

254. Why does a payment of Cash into the Bank require entering on both sides of the C.B.?
255. On which side and in which column of the C.B. are cheques received entered? and why?
256. If a Cheque received be paid into Bank same day, what column would you enter it in? and why?
257. With what book should the Bank columns of the C.B., in general, correspond?
258. What items may cause a difference between the a/c. at the Bank and the Bank columns of the C.B.?
259. If the balance of the Bank columns of the C.B. should differ from that of the Pass Book, how would you proceed to reconcile the difference?
260. What is a Lease and a Royalty?
261. **ON PRACTICAL EXERCISES 23 to 25.** Why is the Discount A/c. usually kept in the C.B.?
262. When recording transactions in Cash and Dis. what have you to be careful to do?
263. When carrying down the balances of Cash and Bank why don't you also carry down the differences of the Dis. column?
264. How do you post an entry of Cash and Dis.?
265. Is the relation of the C.B. to the Ledger that of a subsidiary book or otherwise?
266. In recording a transaction involving the receipt of a composition, where is the amount of the Bad Debt recorded?
267. Which book should be posted first? and why?
268. What is an Order Book?
269. **ON PRACTICAL EXERCISES 27 to 32.** What are tabular Purchases and Sales Books? and what advantage do they afford?
270. Ex. 27. Prepare two Invoices for 1st and 8th April.
271. Make out Statement of transactions with T. Mason, and receipt it as though the balance had been paid by cheque on 1st May.
272. What difference would it make to the B/S. if you failed to record Bell's Bad Debt on 26th April?
273. Why may not the cost of Files and Press on 17th April be debited to T.E.?
274. Draw a crossed cheque in favour of James Gray, 9th April, £80.
275. Ex. 28. What advantage is there in keeping separate a/cs. for Dyewoods and Colours?
276. Make out Invoice against J. Baird & Sons for 7th January.
277. Why should the cost of Horse Corn be debited to T/E. instead of a Real a/c. for Corn?
278. Define Demurrage and Salvage.
279. Make out Gordon & Jackson's Statement.
280. Draw the cheque for 12th January. "Withdraw from Bank."
281. What do the terms Tare, Tret and Waste mean?
282. **ON EXERCISE 29.** Make out invoice against C. Gray for 2nd September.

283. Why is the £23 for Painting Premise, debited to the T/E. A/c. instead of to the Business Premises A/c.?
284. Compile Statement of Alfred Boston's transactions for Sept.
285. Explain the transaction, 28th Sept., "E. Hooley compounded with his Creditors for 10/- in the £."
286. Draw Crossed Cheque in favour of Geisler & Co., 15th September, £400.
287. What is meant by endorsing a Cheque?
288. What is an Audit?
289. **ON EXERCISE 30.** Define the term "Consignment" and "Account Sales."
290. Prepare Credit Slip for the £120 on 14th January, presuming the amount to consist of Cheques, Notes, Gold and Silver.
291. Draw Cheque in favour of A. Bell, 24th January, £210, and show Counterfoil.
292. Make out Invoice against Carter & Co. for 20th January.
293. Define a Receipt and a Voucher.
294. Draw up a separate Receipt for the Cheque received from Carter & Co., on 20th January.
295. Prepare Statement of Brown & Brooke's transactions for Jan.
296. **ON EXERCISE 31.** What is the difference between a Price Current and a Price List?
297. Make out Invoice for the first transaction.
298. Draw up a separate Receipt for the second transaction.
299. Write out a Credit Slip for the payment into the Bank on 2nd Oct., £402.
300. Compile Statement of Transactions of Edward Wade for Oct.
301. Define a "Dishonoured Cheque."
302. Draw Cheque in favour of Bell & Sons, 18th October, £238.
303. Why is it necessary to endorse Hirst's Cheque before sending it to Martin Bros. on the 20th October?
304. What is the effect on your Ledger of the fact that "J. Parson absconded and left no assets"?
305. What subsidiary P. & L. A/c. is kept in the Cash Book? and why?
306. **ON EXERCISE 32.** Define Agent, Factor, Broker.
307. What is an Account Current?
308. Make out Invoice against Bureau & Co., for 6th January.
309. Draw Cheque for the first transaction, also for the £18 on 3rd January, and show Counterfoils.
310. Prepare Credit Slip for the payment into Bank on 7th Jan.
311. What is the object of depreciating the four Assets mentioned on 1st Jan.?
312. What difference would it make if Wilson & Bowler's salaries were debited to their respective Capital A/cs. instead of the P. & L. A/c.?
313. Compile Statement of Transactions of C. Slee for Jan.
314. Why must the cost of the Cart Lamps be debited to the Horses and Carts A/c. and not to the T.E. A/c.?

315. **ON ALL THEORETICAL EXERCISES.** What is the amount of the gross profit or loss?
316. What is the amount of net profit or loss?
317. By how much is the Proprietor richer or poorer as the result of his trading?
318. What amount of money should there be in the Cash Box?
319. State how much is owing to or by the Bank.
320. By how much is the Proprietor solvent or insolvent?
321. What is the total value of the Assets?
322. What is the total amount owing by the Proprietor?
323. What is the value of the Stock?
324. Give a list of the Real A/cs. in the Exercise.
- 325. ON ALL PRACTICAL EXERCISES.** What is the total amount of the *credit* purchases of each class of goods dealt in?
326. What is the total amount of the *credit* sales of each class of goods dealt in?
327. What is the amount of the gross profit or loss on each article dealt in?
328. What is the amount of the net profit or loss on the entire business?
329. By how much is the Proprietor richer or poorer as the result of his trading?
330. What is the amount of the balance in possession of the Cashier?
331. What is the total amount paid by cheques?
332. State how much is owing to or by the Bank.
333. Has the Proprietor gained or lost on Discounts?
334. By how much is the Proprietor solvent or insolvent?
335. What is the total value of the Assets?
336. What is the total amount owing by the Proprietor?
337. What is the total value of the Stock?
338. Give a list of Real A/cs. in the Exercise.

The Slip system of Ledger Posting is a labour-saving method whereby the necessity of recopying is abolished, as far as possible. For instance, the Slip Sales Book, in the form of a file, consists of carbon copies of the original Invoices, which have been sent out to the purchasers, and are not recopied into an ordinary, bound, Sales Day Book. The Sales Ledger is *posted direct* from these carbon copies of the Invoices. This Ledger, as well as the Purchases Ledger, may either be in the form of an ordinary, bound, book, or, better still, the more modern Slip Ledger, in the form of loose leaves or cards, filed or cased. A Summary of the total amounts of the Invoices is made on the front sheet of the file, and posted either weekly or monthly to the Sales A/c. The same method may be employed with reference to the original invoices of goods bought. After being checked, they may be placed on the file labelled Purchases Book, and the total amount of each Invoice *posted direct* to each creditor in the Purchases Ledger. As in the case of the Sales Book, a summary of the totals of the Invoices will be entered on the front sheet of the file and posted to the Purchases A/c. either weekly or monthly.

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 1918 S. G. RHODES, First Place, Intermediate, Dec.

## UNION of EDUCATIONAL INSTITUTIONS

- 1916 S. F. FIELD, First Prize, Elementary.  
 1916 EDGAR G. ABEL, Second Prize, Elementary.

## Miscellaneous Medallists and Prize-Winners:

- 1905 REGINALD E. MULLON, First Place, College of Preceptors.  
 1906 GEORGE MORTON, First Prize and Silver Medal, Lancashire.  
 1906 THOMAS HAWORTH, Second Place L. & C. Union.  
 1906 FREDERICK GRIFFITH, First Place L. & C. Union.  
 1907 A. E. JONES, Silver Medal of the Liverpool Incorporated Accountants.  
 1908 P. KELLY, First in the U.K. at the Taxes Exam. of the Civil Service.  
 1908 N. S. FISHER, First Prize and Silver Medal for Commercial Correspondence, awarded by the National Union of Teachers.  
 1908 N. S. FISHER, Second Prize and Bronze Medal for Theory and Practice of Commerce, awarded by the National Union of Teachers.  
 1908 C. H. MERREY, First Prize, Advanced Book-keeping of the Midland C.U.  
 1908 MARGARITE BENNELL, First Place, College of Preceptors.  
 1908 G. G. DUDDLES, First Place at the Examination of Grocers, and Winner of Silver Cup and Purse of £20.  
 1909 ARCHILOU'S TEMLETT, Second Place, College of Preceptors.  
 1909 FREDERICK J. ALBAN, First Place Final Examination of Institute of Municipal Treasurers and Accountants.  
 1909 W. A. OAKES, First Prize at Inter. Exam. of Chartered Accountants.  
 1909 WILLIAM CUNLIFFE, First Place, Institute of Bankers.  
 1907-8-9 HUBERT GRIME, Quadruple Prizeman, Lancashire and C. Union.  
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 1911 J. H. ROGERS, Silver Medal for Business Methods, L. & C. Union.  
 1911 E. ASHLEY OAKES, First Prize, Final, Chartered Accountants.  
 1912 JOSEPH E. STONE, First Place at the Exam. of the National Association of Local Government Officers.  
 1913 ARTHUR JONES (Swansea), First Place at the Examination of Grocers.  
 1913 W. J. HODGKISS, First Place, Lancashire and Cheshire Union.  
 1913 P. S. RANDALL, First Place, Union of Educational Institutions.  
 1913 H. EVERETT, the only Candidate who took full marks out of 855 for Book-keeping, Second Division Clerks, Civil Service, October.  
 1913 HAROLD GIBSON, First Place, L. & C. Union.  
 1913 WILLIAM O. J. URRY, First Place, Central Ass. of Accountants.  
 1914 A. S. PERUMAL, First Prize of \$100, Government Examination of the Federated Malay States.  
 1914 A. G. SYMES, First Prize and Silver Medal, Auctioneers' Institute.  
 1914 RICHARD G. PYE, Second Place, Final Exam. of Institute of Municipal Treasurers' and Accountants'.  
 1914 WILFRED MORRIS, Bronze Medal, Business Training, R.S.A.  
 1915 ARTHUR E. LANGTON, First Prize of £100 for Commercial Knowledge.  
 1915 A. G. SYMES, First Prize of £15 and Silver Medal, Surveyors' Institution.  
 1915 ARTHUR EVANS, First Place and Bronze Medal, R.S.A. Business Methods.  
 1915 ARTHUR JONES (Swansea), Silver Medal Standard, R.S.A., Theory and Practice of Commerce.  
 1915 GEORGE E. MACFARLANE, First Prize, London Ass. of Accts., June.  
 1915 DAVID E. EDWARD, Glasgow Chamber of Commerce Cash Prize of £5.  
 1915 R. JONES, First Place, L.A.A., Dec.  
 1916 JOHN WHOOLEY, First Prize, Dept. of Agriculture, Ireland.  
 1916 R. JAYARAM, Gold Medal, I.C.C., in Methods and Machinery of Business.  
 1917 G. E. MACFARLANE, First Prize and Silver Medal, N.U.T., Theory and Practice of Commerce.  
 1917 JOSEPH LYNCH, Second Prize and Bronze Medal, N.U.T., Theory and Practice of Commerce.  
 1920 W. F. GOVARD, Silver Medal, I.C.C. Business Methods.  
 1921 LIM K. LIANG, Second Place, Straits S. Gov., Book-keeping.

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It has been my constant companion since first undertaking the study of Book-keeping and Accountancy, and have I no hesitation in saying that it is certainly one of the most lucid and complete works on the subject.

You will be glad to learn that your book was in use at the East Ham Technical College, attended by me during the past session.

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d.

Heaps takes one-half of the profits, the other half is divided equally between Wilson & Bowler.—Keep 3 separate a/cs. for Indigo.

Jan. 2.	Drew Cheque for Cash .....	£20 - -
" 2.	Sold Bengal Indigo for Cash .....	8 3 6
" 2.	Invoiced C. Slee, Bengal, £126 8 9; Kurpah, £100; Madras, £84 3 6 .....	260 12 3
" 3.	Paid Cheque for Roll Top Desk (81) .....	18 - -
" 4.	Recd. from Chas. Slee, £105. Dis. £5 11..	110 11 -
" 6.	Sold Bureau & Co., Bengal, £46 7 6; Kurpah £148 13 4; Madras, £50 .....	245 - 10
" 7.	Paid Wages .....	15 - -
	Received from Roberts Bros., £95. Dis. £5	100 - -
	Paid into Bank .....	200 - -
	Bought of Bower & Co., Bengal, £468 10; Kurpah, £342 .....	810 10 -
" 9.	Paid them Cheque .....	1000 - -
	Recd. Cheq. of Bureau & Co., £83; allowed 6/-	83 6 -
" 10.	Paid Cheque into Bank .....	83 - -
	Sold Madras for Cash ...	13 10 -
	Recd. from Brooke & Co., £136. Dis. £7 9 6	143 9 6
" 12.	Paid into Bank .....	136 - -
" 13.	Sold Roberts Bros., Bengal, £136 9 6; Madras, £123 4 6 .....	259 14 -
" 14.	Bought of Koebel & Co., Madras .....	310 - -
	Paid them Cheque on A/c. ....	400 - -
	Paid Wages ...	15 - -
" 16.	Sent Firth & Jones, Kurpah, £83 10; Madras £68 17 6 .....	152 7 6
" 17.	Received from them Cash, £18. Dis. 17/6...	18 17 6
" 18.	Paid Cheque for Painting Premises (81) ...	20 - -
	Paid Cash for Gas (Trade Exs.) .....	4 5 -
" 19.	Paid Cheque for Weighing Machine (81) ...	15 - -
	Paid Corn&Fodder A/c. in Cash(Trade Exs.)	11 9 6
	Paid for two new Cart Lamps (81) .....	1 - -
	Bought of Jewesbury & Co., Bengal £360 10 -; Kurpah, £228; Madras, £190 .....	778 10 -
" 20.	Horse valued at £25 died and carcase sold for (81) .....	1 - -
" 20.	Remitted Jewesbury & Co., Cheque on A/c. Withdrew from Bank .....	1000 - -
	Paid Cheque for New Horse (81) .....	20 - -
	E. Wilson drew Cheq. for private purposes (78)	40 - -
" 21.	Sold J. Holt :—Kurpah, £84; Bengal, £100; Madras, £98 16 .....	282 16 -
	Paid Wages .....	15 - -
" 23.	Sold Brooke & Co. : Kurpah, £108 18; Bengal £156; Madras, £106 11 .....	371 9 -
" 24.	Recd. from J. Holt, cheq. and paid into Bank	150 - -
	Paid Fire Insurance Premium. Cash .....	4 5 -
" 26.	Bought of Koebel & Co., Madras .....	278 - -
" 27.	Remitted them Cheque .....	323 1 6

Jan. 28.	Roberts Bros. compounded with their Crs. for 13/4 in the £, recd. Cheq., and paid it into Bank to-day (95a) .....	244	3	-
" 28.	Paid Borough Rate by Cheque .....	27	-	-
	Paid Rly. Co. Carriage A/c. by Cheque .....	13	-	-
	Drew Cheque for Wages .....	15	-	-
" 31.	Charge Depreciation on Premises (82).....	10	-	-
	" " Furniture, etc. ....	1	10	-
	" " Horses, etc. ....	6	-	-
	" " Goodwill .....	25	-	-
	Paid Warren & Co., Cheque .....	4759	1	3
	Int. on Cap., John Wm. Heaps (71) .....	20	16	5
	" E. Wilson & A. J. Bowler, each	2	1	8
	Interest on withdrawal, Edwin Wilson (78)	-	1	8
	Due to E. Wilson & A. J. Bowler for salary each .....	13	-	-

Stocks of Indigo : Bengal £1765, Kurpah £1324, Madras £810.

Ex. 32.	Trial Balance.	Totals.		Balances.	
		Dr.	Cr.	Dr.	Cr.
Cash A/c. ....		£ s. d.	£ s. d.	£ s. d.	£ s. d.
499 19 6		484 10 6		14 14 -	
Bank A/c. ....	6813 3 -	7720 2 9			906 19 9
J. W. Heap's Capital A/c. ....		5020 16 8			5020 16 8
E. Wilson's Capital A/c. ....		515 1 8			515 1 8
E. Wilson's Drawings A/c ..	50 1 8			50 1 8	
A. J. Bowler's Capital A/c. ....		515 1 8			515 1 8
Stock A/c.:—					
Bengal .....	1960 - -			1960 - -	
Kurpah .....	1100 - -			1100 - -	
Madras .....	447 12 9			447 12 9	
Purchases A/c.:—					
Bengal .....	829 - -			829 - -	
Kurpah .....	570 - -			570 - -	
Madras .....	778 - -			778 - -	
Sales A/c.:—					
Bengal .....		573 9 3			573 9 3
Kurpah .....		525 1 4			525 1 4
Madras .....		495 2 6			495 2 6
Premises A/c. ....	3000 - -	10 - -		2990 - -	
Furniture & Fittings A/c. ....	233 - -	1 10 -		231 10 -	
Horses, Carts, &c., A/c. ....	391 - -	31 - -		360 - -	
Goodwill A/c. ....	750 - -	25 - -		725 - -	
Bad Debts A/c. ....	122 1 6			122 1 6	
Wages A/c. ....	60 - -			60 - -	
Depreciation A/c. ....	42 10 -			42 10 -	
Partners' Salaries A/c. ....	26 - -			26 - -	
Carriage A/c. ....	13 - -			13 - -	
Interest A/c. ....	25 - -	- 1 8		24 18 4	
Discount A/c. ....	19 4 -			19 4 -	
Trade Expenses A/c....	66 19 6			66 19 6	
Dead Horse A/c. ....	24 - -			24 - -	
Edwin Bower & Co. ....	1000 - -	2094 1 6			1084 1 6
Koebel & Co. ....	723 1 6	1311 1 6			588 - -
Lewesbury & Co. ....	1000 - -	1837 6 -			857 6 -
Warren & Co. ....	4759 1 3	4759 1 3			- - -
Charles See .....	371 9 3	110 11 -		260 12 3	
John Holt .....	316 19 -	150 - -		196 19 -	
Bureau & Co. ....	328 6 10	83 6 -		245 - 10	
Brooke & Co. ....	514 18 6	143 9 6		871 9 -	
Roberts Bros. ....	466 4 £	466 4 6		- - -	
Firth & Jones .....	171 5 -	18 17 6		152 7 6	
	£ 26901 5 9	26901 5 9		11081 - 4	11081 - 4

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BY

**ARTHUR FIELDHOUSE,**

FELLOW of the ROYAL SOCIETY of ARTS.  
EXAMINER, ACCOUNTANT AND AUDITOR.

AUTHOR OF

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"*The Student's Phonographic Shorthand Exercises*" ;

AND

**E. EWART FIELDHOUSE, M.A., LL.B., Cantab.,**  
SOLICITOR of the SUPREME COURT.

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**THIRTIETH. EDITION.**

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## PREFACE to the THIRTIETH EDITION.

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J.F. and E.E.F.

64 Trinity Street,  
Huddersfield,  
October, 1922.

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## INTRODUCTION.

A knowledge of Book-keeping is absolutely essential to the satisfactory conduct of any business, however small. A Merchant's books may be regarded as his mercantile chart, from the consultation of which he should be able to ascertain, not only his exact position on the turbulent sea of commerce, but also to learn whether the course he is pursuing is likely to take him into the harbour of competence and wealth, or the Official Receiver's refuge.

It is a matter for regret that penal laws should be found at all necessary. On the Continent the use of the "Journal" (in which *every entry* must be made before posting to the Ledger, this being known as the Continental System,) is made compulsory, under heavy penalties for non-compliance; and in our own country bankrupts are liable to punishment for failing to keep a sufficient record of their business transactions. One would have thought that the satisfaction arising from recording their affairs in accordance with correct methods of book-keeping, would be sufficient inducement to traders to learn to understand and practise thoroughly systematic and intelligent Book-keeping. That this is not so, is evidenced by the fact that, every year, hundreds pass through the Bankruptcy Court, who have either kept no books at all, or those kept are scarcely intelligible. Next to extravagance, inefficient book-keeping is one of the principal causes of insolvency.

The cause of such a state of things is, probably, not far to seek, for while adequate facilities for all kinds of professional training have been provided in this country, commercial education has been sadly neglected, and it is only during recent years that attempts, more or less serious, have been made to remedy this state of affairs.

Training is quite as necessary for a commercial life as it is for a professional one; and unless the youths of this country become willing to equip themselves thoroughly for the career upon which they enter, they will assuredly have to stand down while others will take their places.

## SUGGESTIONS for TEACHERS.

---

1. As suggested by the Syllabus of the West Riding County Council each class should be taught collectively ; a portion of each lesson being devoted to the explanation of principles, transactions and terms, and a portion to the elucidation of difficulties met with in the home work. The class should be questioned as to the correct way of entering up each transaction, and the reason therefor.

2. In addition to dealing with the explanatory matter occurring between, and relative to, each exercise, you should also include in the lesson the explanation of a few of the mercantile terms, as well as the filling up of cheques, bills, and other forms specified by the Syllabus.

3. Although the first nineteen exercises are not essential, I find the working thereof of such service to beginners, by reason of their educational value and the material improvement it effects in the style of the pupil's subsequent work, as to warrant their inclusion.

4. Generally speaking the Syllabuses of the public examining bodies are covered in the Elementary Stage by working exercises 1 to 35, in the Intermediate Stage by working up to exercise 100, and in the Advanced Stage by working up to the end of the Complete or Advanced book.

5. In order to fix thoroughly the principle of double entry in the student's mind the nine exercises, 19 to 25, should first be journalised, posted, and a trial balance prepared. Then the next exercise, 26 (page 96) should be worked on the practical method only, followed by the re-working of exercises 20 to 25 on the same method. The students will then be able to compare the theoretical with the practical method of recording the same transactions. The six exercises, 27 to 32, are specially designed for practical working only, after which all the exercises in the book should be worked practically. The answers to exercises 20 to 32 are given on page 30.

6. The tendency of modern examinations is to require from the candidate a more detailed acquaintance with the practical methods used in business houses than was formerly the case. Some Examiners are so possessed with the idea of the practical that they either neglect or discount the theoretical and educational aspect of the subject. In other words, they recommend beginners to learn practical Book-keeping before acquiring a

sound knowledge of the theory and principles. Every teacher knows that this method is educationally wrong. Those teachers who, contrary to the advice of the author, wish to teach practical Book-keeping from the very first lesson may do so by commencing with the chapter on Practical Book-keeping, page 79. No more exhaustive exposition of elementary practical work will be found in any book on the market.

7. We are also told by some Accountants, whose work brings them into contact with the accounts of large concerns and limited companies, that there is now no necessity to teach the keeping of a Goods A/c., notwithstanding the fact that such an account is so practical as to be kept in thousands of small businesses. While students should be taught that in businesses with sales running into thousands a year, separate accounts should be kept for Stock, Purchases, Returns Outwards, Sales, Returns Inwards, there is no necessity to open these five accounts in a small business, for which a simple Goods A/c. is quite ample. Because some large concerns keep two Cash Books, one for recording Receipts and the other for Payments, it would be unreasonable to insist that every small business should adopt such a method. It has been suggested that all reference to the Goods A/c. should be deleted from this textbook, but such an omission would render the book imperfect, for two out of three Examiners are still setting Papers and asking Questions involving its use. It would be much more reasonable to suggest the omission of all reference to that farce known as Single Entry, upon which some Accountants and Examiners waste so much energy.

8. The Exercises and Examination Papers included in this work are larger in number and greater in variety than those contained in any other textbook, covering every conceivable transaction in all stages of the subject. The Teacher has choice of Exercises and Papers of varying length, some of which may be worked in a few minutes, while others require two or three hours. It is quite impossible to include every Examination Paper in a work of this description, as between 70 and 100 Papers are set each year. The average Examination Paper is merely a duplication of common transactions. It is important, however, that the text should be kept up-to-date, and this is the only textbook which is able to do this by reason of the fact that it is revised and entirely reprinted every two years. It is also worthy of note that this is the only work to which there is a FULL KEY, a new edition of which has recently been published including the solutions to the Examination Papers for 1921,

## INSTRUCTIONS to STUDENTS.

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1. You will be required to provide yourself with such Manuscript Books as directed by the teacher. Those sold by the Author, Arthur Fieldhouse, P.O. Box A. 27, Huddersfield, at 2/4 per set, post free, will be found very serviceable.

2. Never fail to bring with you to the class your textbook, note book, manuscript books, *medium pointed* pens and blotting paper. Broad-pointed pen-nibs should never be used.

3. Most of the exercises will first need to be worked out on sheets of paper, and, after having been corrected by the teacher, neatly copied into your manuscript exercise books. ✓

4. Never leave an exercise unfinished on account of some error, but search it out, remembering that the first essential of Book-keeping is Accuracy. ✓

5. Let your writing and figuring be such as will give a neat appearance to your work. Figures must *not* be joined together. Books kept in a slovenly scrawl, or in flourished writing, are a discredit to the book-keeper and an eyesore to his master. Let Legibility and Neatness be your motto. ✓

6. When entering an account, place the particulars of the second and each succeeding entry the same distance from the left-hand margin as the first entry, so that the *first* letter in each word forms a perpendicular line of capital letters; and in the money columns place units under units, tens under tens, &c. To commence one entry further in than another, or to misplace figures, detracts from the orderly appearance of your work.

7. Never insert noughts in the money columns when unnecessary to the amount, as they are liable to lead to confusion when totalling. A dot or dash is preferable.

8. Let all horizontal lines be thinly ruled in red ink. Rule *one line* above every total and *two lines* underneath every *final total*, but do not rule any lines after a total which is *carried forward*. ✓

9. Always place the indication of a £ by the side of each total, thus :—£626 10 6.
10. Remember that every transaction must have a date, both in the subsidiary books and the Ledger. ✓
11. Do not fail to place Dr. and Cr. at the head of every account. ✓
12. Write the names and headings of books and accounts very boldly, so as to make them distinct and conspicuous. ✓
13. The totals of both sides of an account should always be placed on a level with each other, even though there are not the same number of items on both sides. ✓
14. Never insert balances or totals in ink until you have checked their correctness. ✓
15. Never scratch out an incorrect entry, but rule it through so that the error may still be visible on inspection. Scratching out is untidy and likely to create suspicion.
16. Regular attendance is of great importance. An evening student should make a point of being present at every meeting of the class, otherwise he finds himself seriously handicapped, as it is generally impossible for his teacher to depart from the syllabus and repeat a lesson—it would be an injustice to those who attend regularly to do so. The progress of a class as a whole is, and must be considered before that of a few stragglers, who often blame their teacher for the result of their own irregularities. Continuity of work is essential to progress. X
17. Endeavour to be in your class five minutes before the appointed time. The unpunctuality of a few frequently wastes the time of many students..
18. If you are desirous of being a credit to yourself and a source of satisfaction to your teacher, do not fail to complete, most carefully, the whole of your home work. Without work, progress is impossible. Do not wait until the arrival of the next class day before you

commence to hurry through your exercises, but commence immediately you reach home on leaving the class. Do a portion each day. Do not wait until you have a complete hour at liberty before you commence your exercises. "Procrastination is the thief of time," therefore utilise the five minutes you have before breakfast, the ten minutes after dinner, the fifteen minutes at tea time, etc., and you will be surprised at the result. In this manner the busiest youth can devote from thirty to sixty minutes each day to his studies.

19. If the instructions with reference to the working of the exercises are not complied with, the teacher may not only refuse to correct your work, but may require it to be re-written. Pencil work will on no account be permitted, therefore use ink always.

20. You must not forget, in the study you are about to commence, that you will not be taught to keep the books of any particular trade, as a grocer, a draper, a cloth merchant or an engineer; but that you will receive instruction in the principles of book-keeping and their general application to modern business, which knowledge may be readily applied to the books of any specific business, which vary only in matters of detail.

Efficient book-keeping is an absolute necessity, for three reasons: (1) Personal, control over the business and the satisfaction of ascertaining results as to true financial position; (2) Commercial, business depends to a large extent upon the accuracy of the information conveyed by the books; (3) Legal, the avoidance of the penalties incurred in case of Bankruptcy, Income Tax, &c.

#### PROPER ACCOUNT BOOKS.

"The case of H.J.M., who had traded as an upholsterer in ..... Street, London, E.C., came before the Court upon an application by the debtor for his order of discharge.

His Honour said he noticed that the debtor had kept proper books of account, and they had been periodically balanced. This was so unusual a record that he should mark his appreciation of the debtor's conduct by granting him an immediate order of discharge, subject only to a judgment for £10."

## BOOK-KEEPING.

BOOK-KEEPING is the *science* and *art* of recording in books pecuniary transactions, so unremittingly and so accurately, that you are able at any time to ascertain (1) the result during a given period, (2) the exact state of your financial affairs at the end of the period, or any portion of them, with clearness and expedition, and to prove their accuracy.

2. The practice of scientific book-keeping is no mere experiment, the results of which are doubtful and uncertain. On the contrary, every result you obtain may be relied upon as being absolutely accurate, because you can prove your books as easily as you can prove a multiplication sum by division. This is very desirable as it affords the information which will enable you to protect yourself against excesses and, generally, keep due control over your business affairs.

3. If all the facts relative to your business be properly recorded in your books, you should, at any time, be able to obtain ready answers to the following amongst other questions :—

1. What amount do I owe to each person?
2. What amount is owing to me by each customer?
3. Am I gaining or losing?
4. What are the sources of my gains and losses?
5. Am I solvent or insolvent? If the former, what is the amount of my Capital? If the latter, what is the amount of my deficiency.

4. The principal cause of Book-keeping is Commerce—the interchange of surplus goods or commodities. Another cause is that of Services rendered by professional men. These exchanges result in what are known as Transactions, which are the acts performed by two persons in buying, selling, paying, receiving; in fact every act involving the transfer of money or money's worth, from one to another, and every exchange for value, whether money, goods, or debts, which takes place in your affairs. Every financial change which occurs in your business is a transaction, even though no specific act is performed at all; for instance, if you are

informed that one of your debtors had absconded, leaving no assets behind, such a fact must be shown in your books, by closing the a/c. of the defaulting debtor. The exercises contained in this book are sets of transactions which, in the first place, it will be your duty to enter up in the various books in proper order, and secondly, to prove the accuracy of your work. There are two ways of recording transactions—chronological and classified. The former is advantageous for entering, while the latter is convenient for reference.

5. The **WASTE BOOK** (which is now rarely used in business houses) simply contains a roughly scribbled record of transactions daily arranged in the order in which they occur, without any regard whatever to their nature or import. All the exercises given in this work are really cuttings or extracts of entries from the Waste Book. (See exercise 19, page 35). The chronological or in-order-of-date arrangement of the transactions in the Waste Book facilitates the work of the student book-keeper in entering up his other books.

6. In recording pecuniary transactions two objects must be kept in view:—

1. Each record or entry must be so explicit that at any future time, the exact nature of the transaction may be readily perceived without the aid of the memory.
2. Each transaction should be so classified that at any time the total result of such transactions during any given period, may be easily ascertained.

It will be clear to you, if you are to comply with these two rules, that transactions of a similar nature or with the same person must be gathered and collected together in classes or groups, for which separate accounts will require to be opened in the Ledger, such as John Smith's account, Henry Clay's account, Cash account, Goods account, Profit & Loss account, &c.

7. AN **ACCOUNT** is a register of a particular class or group of pecuniary or money, i.e., £ s. d., transactions. To register or record a transaction is to make an entry.

## THE LEDGER.

8. The book which contains this collection of Accounts and in which the answers to the questions specified in par. 3 are to be found is called the Ledger. It is the most important of all Account Books, in fact it is the only essential book. It contains a condensed and classified record of all the pecuniary transactions of the business, transferred, or posted from the *Books of Original Entry*. The Ledger thus becomes the permanent storehouse of all the transactions, in a form capable of ready reference. It facilitates the prompt collection of money due.

9. It is found convenient and economical in the keeping of accounts to have the pages of the Ledger vertically divided into two equal parts; each of which is sub-divided into four sections; the first section being for the date; the second, the particulars; the third, the folio; and the fourth, the amount; as follows :

### TWO PERSONAL ACCOUNTS IN THE LEDGER.

Dr.	Alfred Sykes, 16 Park Row, Leeds.				Cr.		
Date.	Particulars of Transactions.	Fol.	Amount.	Date.	Particulars of Transactions.	Fol.	Amount.
1906 Jan. 1	To Goods .....	3	£ 150   s. d. - - -				£   s. d. - - -

Dr.	Asa Clay, 20 South Lane, Hull.				Cr.		
Date.	Particulars.	Fol.	Amount	Date.	Particulars.	Fol.	Amount.
			£   s. d. - - -	1906 Jan. 1	By Goods .....	3	£   s. d. - - -

10. In starting or opening an account in the Ledger the first thing to be done is to name or label it, as shown in the above examples. Just as a grocer would be careful not to put cayenne into a drawer labelled " Snuff," so you must be careful not to record Sykes's transactions in Clay's account, or *vice versa*.

11. The word **DEBTOR**, used as a noun, means one who *owes value to another*; as an adjective when referring to the debit or left-hand side of an A/c. A debit is a charge; hence a person must be debited with what he receives. To debit is to charge against, to enter or set down a sum on the debit or left-hand side of an A/c. You will notice from the first account that Sykes, your customer is "Dr. To Goods, £150," which means that he is **Debtor** or owes this amount to the owner of the Ledger.

The word **CREDITOR** means one to whom *value is owing*. The credit side (Cr.) of an A/c. is the right-hand side. To credit is to enter or set down a sum on the Cr. or right-hand side. Clay's account shows him to be "Cr. By Goods, £56," which means that he is **Creditor** or is owed this amount by the owner of the Ledger.

12. The student must bear in mind that each transaction must be considered as having no connection whatever with any that precedes or follows; and must therefore treat each one as *standing alone*; otherwise the terms Dr. and Cr. may appear conflicting.

13. **LEDGER ACCOUNTS** may be divided into two great classes; Personal, those having to do with persons, such as merchants and customers; and Impersonal, those *not* having to do with persons, such as goods, cash, capital, profit and loss, &c. Impersonal A/cs. may be further divided into Real A/cs. and Nominal A/cs. Therefore, however numerous and varied the a/cs. in the Ledger may be they can all be resolved into three classes:—

1. **Personal**, which record transactions with the persons and firms with whom a trader deals; that is, with *debtors* (customers) and *creditors*.

2. **Real or Property**, which contains a record of property, possessions or things owned by the trader as Cash, Goods, Raw Materials, Leases, Buildings, Land, Ships, Furniture, Plant, Machinery, Stores, Stocks and Shares, Cattle, Bills of Exchange, Goodwill, Patents, Copyright, Trade Marks, &c.

3. Nominal, Fictitious, or Proprietary, which record the gains and losses, also the net worth of the trader, and which supply the results of the trading, such as the Trading A/c., Profit and Loss A/c., or the subdivisions thereof, as Trade or General Expenses, Interest, Discount, Wages, Bad Debts, Depreciation, Repairs, Renewals, Rates and Taxes, Rents, &c.

14. It will be found instructive in working the following exercises, to regard yourself as A. Pupil, a merchant, whose books you are engaged in entering up. This will prove particularly helpful in deciding the question of Debtor and Creditor.

In order that you may, at once, become familiar with the method of keeping a/cs. in the principal book, the Ledger, I will, first of all, place before you a few illustrations and exercises on the three classes of a/cs.— Real, Personal, Nominal. First, a Real A/c.—

15. **CASH.** As the receipt and payment of Cash are two of the commonest transactions I will narrate a few, from which you will arrange a Cash A/c., remembering to debit yourself with what comes In, viz.:— *Receipts*; and to credit yourself with what goes Out, viz. :—*Payments*.

#### Exercise 1.

1906.	May 1.	Cyril Dodd pays me .....	£25
"	2.	Dan Cross do. ....	30
"	3.	I pay Sam Tate .....	30
"	4.	Do. John Green .....	15
"	5.	Do. Henry Wild .....	5
"	6.	Ben Thorp pays me .....	10
"	7.	Levi Read do. ....	18

Dr.	My Cash A/c.			Cr.					
1906	In.	£	s	d	1906	Out.	£	s.	d.
	RECEIPTS.					PAYMENTS.			
May 1	To C. Dodd	25	-	-	May 3	By S. Tate	30	-	-
2	" D. Cross	30	-	-	4	" J. Green	15	-	-
6	" B. Thorp	10	-	-	5	" H. Wild	5	-	-
7	" L. Read	18	-	-					

It is quite clear that you *received* items 1, 2, 6, 7, and therefore debited your Cash A/c.; and that items 3, 4, 5, were *payments*, which required to be credited.

16. You will notice that the word **TO** is prefixed to each entry on the Dr. or *left-hand side*; and that the word **BY** is prefixed to each entry on the Cr. or *right-hand side* of the above a/c.

You must *never use the name of an a/c. in that a/c.*: thus in the Cash A/c. you must not enter "To" or "By Cash." The fact that an amount requires entering in the Cash A/c. is proof that it is cash. In every a/c. you must show To whom or what the a/c. is Dr., and By whom or what the a/c. is Cr.: in other words the *source* of its *receipts* and the *object* of its *payments*. Therefore the first receipt is read thus: "Cash A/c., Dr. To C. Dodd for Cash received from him, £25," and the first payment thus: "Cash A/c., Cr. By S. Tate for cash paid him £30."

17. The sum of your wealth is called your **Capital**; therefore when opening a Cash A/c. with "Cash in hand," you must not enter your name opposite that sum, but must use either the words *To Capital*, or *To Balance*, £33.

Arrange two Cash A/cs. from the following:—

#### Exercise 2.

1906. May 8.	Cash in hand ... .. .	£33
" 8.	Paid T. Hall ... .. .	20
" 9.	Do. A. Gee .. .. .	10
" 10.	Received of Cook & Co. ...	70
" 11.	Sent to F. Wood .. .. .	25
" 12.	Z. Muir pays me .. .. .	16
" 13.	H. Sykes gives me .. .. .	25
" 14.	Paid into Bank .. .. .	60

#### Exercise 3.

1906. May 15.	I have Cash .. .. .	£29
" 16.	I pay A. Hill .. .. .	13
" 17.	Received of A. Clay .. .. .	36
" 18.	Evans & Co. pay me .. .. .	28
" 19.	Paid for Wages .. .. .	10
" 20.	Do. Goods .. .. .	47
" 21.	Received for Goods .. .. .	39
" 22.	Deposited in Bank .. .. .	62

**18. BALANCING.** Now return to Exercise 1, as worked in your Manuscript book, and add up both sides of the a/c., placing the total of the Cr. side underneath the total of the Dr. side, on a piece of paper. Subtract one total from the other, and find the difference as follows :—

Dr. Side .....	...	£83
Cr. ,,, ..	...	50
Difference ..	...	<u>£33</u>

This difference of £33 is the balance, and the Cr. side being the lesser by that sum, it requires placing on that side, prefaced by the words *By Balance*, in order to make the two sides equal. Then insert the total £83, at the foot of both sides, as shown in the example below, and rule off the total in *red ink*. This operation of equalising the two sides of an a/c. is known as "balancing," c/d. means *carried down*, and b/d. *brought down*.

The £33 represents the amount you should have in the cash box, which you should count and check off. The a/c. will now appear thus :—

Dr.	My Cash A/c.			Cr.					
1906	In.	£	s	d	1906	Out.	£	s	d
	RECEIPTS					PAYMENTS.			
May 1	To C. Dodd	25	-	-	May 3	By S. Tate	30	-	-
" 2	" D. Cross	30	-	-	" 4	" J. Green	15	-	-
" 6	" B Thorp	10	-	-	" 5	" H. Wild	5	-	-
" 7	" L Read	18	-	-	" Balance	c/d	33	-	-
		£	83	-			£	83	-
	To Balance b/d	33		-					

Balance Exs. 2 and 3. You will find that there is no difference between the two sides of Ex. 3, in which case we say that the a/c. "balances." It therefore only requires the totals inserting at the foot of the a/c.

**19. GOODS A/C. or TRADING A/C.** Commercial transactions consist largely of the purchase and sale of

articles of trade or merchandise. I will therefore now consider another Real a/c., Goods. Its objects are :—

1. To register the amount of Purchases and Sales.
2. To display the gross profit realised, or the gross loss sustained.

The same rule for making entries applies to the Goods A/c. or Trading A/c. as applies to the Cash A/c.; in fact, it applies to all Real A/cs., viz. :—What comes In or is purchased is Dr., and what goes Out or is sold is Cr.

The word **Goods** as used here, is the *general* term meaning any kind of merchandise, commodities, or wares. If you were a coal merchant, however, you would use the *specific* name, " Coal A/c." Goods sold for ready money are **Cash Sales**; those sold for future payments are called **Credit Sales**.

Remembering par. 16, you will proceed to enter up the following transactions of A. Pupil :—

#### Exercise 4.

1906.	Jan. 1.	Bought Goods of A. Lee ..	£200
"	2.	Sold Goods to T. Day .. . . .	50
"	3.	Sold Goods for Cash .. . . . .	18
"	4.	P'rch'sd Goods of F. Lunn	45
"	5.	Bought Goods for Cash .. . .	23
"	6.	Sold Goods to H. Kaye ...	100

The above goods would be entered thus :—

Dr.	My Goods A/c. or Trading A/c.			Cr.	
1906	In.	£ s d	1906	Out.	£ s d.
	PURCHASES.			SALES.	
Jan. 1 To A. Lee ..	200	- - -	Jan. 2 By T. Day..	50	- - -
" 4 " F. Lunn	45	- - -	" 3 " Cash ....	18	- - -
" 5 " Cash ....	23	- - -	" 6 " H. Kaye	100	- - -

You will observe that you were the **Receiver** of items 1, 4, 5, which came **In**, or were *purchased* by you, and therefore required *debiting*; and that you were the **Giver** of items 2, 3, 6, which went **Out** or were *sold* by you, and therefore required *crediting*.

**20. BALANCING.** The first object of a Goods A/c. or Trading A/c. being attained you must now proceed to ascertain the gross profit you have realised on the above transactions. If you deduct the total of the Sales from the total of the Purchases you will find that the difference is £100. This amount does not, however, represent the value of the unsold goods, which you must assess for yourself. To enable you to do this, it will be necessary for you to go into your warehouse or shop, and make a detailed list of the stock-in-trade, i.e., the goods you have left, which you find to be worth £120. You will recollect in Ex. 1, that you had in your cash box the sum of £33, which you placed on the Cr. side of your Cash A/c. in order to balance it. You now find in your warehouse a *balance or stock of goods*, value £120, which you will similarly place on the Cr. side of your Goods A/c. or Trading A/c. as follows :

*By Balance (Stock) £120.*

This amount represents either the *cost price* or the *current market price*, if that be lower than the cost, of the goods on hand, sometimes called the *closing stock*. You will now total both sides of the a/c. on a slip of paper as follows :—

Total of Cr. Side .....	£288
,, Dr. „ .....	268
Difference ..... <u>£20</u>	

Unlike the Cash A/c. you will find that the insertion of the value of the "Goods on hand, £120," does not make the two totals equal each other. Why is this? Because, while the *difference* between the two sides of a Cash A/c. is simply an excess of receipts over payments, the *difference* between the two sides of a Goods A/c. (after inserting the balance or stock) is either a *gain* or a *loss*. If you sold your goods for exactly the same price as you gave for them, then the Goods A/c. would balance; but you generally dispose of them at an increase upon the purchase price, consequently the Cr. side exceeds the Dr. side, the difference being a *gross profit*. In this case you effected three sales, charging

your customers, altogether, £20 more for the goods than you gave for them, and therefore gained £20, which enter on the Dr. side of your Goods A/c. as follows:—*To Gross Profit £20.* Then insert the total, £288, at the foot of both sides, when the a/c. will appear thus:—

Dr.	My Goods A/c. or Trading A/c.			Cr.	
	In:	£ s d	1906	Out.	£ s d.
1906	OPENING STOCK & PURCHASES			SALFS AND CLOSING STOCK	
Jan. 1	To A. Lee ..	200 - -	Jan. 2	By T. Day ..	50 - -
" 4	" F. Lunn	45 - -	" 3	" Cash ....	18 - -
" 5	" Cash ....	23 - -	" 6	" H Kaye	100 - -
	" Gross Profit	20 - -		" Bal (stock) c/d	120 - -
		£ 288 - -			£ 288 - -
	To Balance	b/d 120 - -			

Arrange two Goods A/cs. or Trading A/cs. from the following Exs. "Goods on hand," called the Opening Stock, must be entered *To Stock* in accordance with par. 17. In Ex. 6 you will find that a loss was sustained, and that the difference between the two sides will require entering on the same side of the stock—the Cr. side.—*By Gross Loss £6.*

#### Exercise 5.

1906	Jan. 7.	Goods on hand .....	£120	- -
	" 8.	Bought Goods for Cash .. .	40	- -
	" 9.	Goods sold to A. Hall .. .	37	6 6
	" 10.	Sold Goods for Cash .. .	15	3 6
	" 11.	Bought Goods of D. East ..	70	- -
	" 12.	Sold Goods to Kaye & Co. ..	153	- -
	" 13	Do. Scott and Co. .....	28	- -
		Value of Stock .. .	31	10 -

#### Exercise 6.

1906.	Jan. 14.	Goods on hand .....	£31	10 -
	" 15.	Bought Goods of Sims & Co. ....	53	10 -
	" 16.	Sold Goods to J. Knox .. .	30	- -
	" 17.	Bought Goods of Smith Bros. ...	45	- -
	" 18.	Sold Goods to T. Smith .. .	64	- -
	" 19.	Do C. Waite .....	9	- -
	" 20.	Do. for Cash .. .	5	- -
		Stock valued at .... .. .	16	- -

**21. PERSONAL A/CS.**, by reason of including all your customers, are the most numerous of the three classes of a/cs. and occupy by far the greater part of your Ledger. Their object is to record all your pecuniary transactions with the persons or firms from whom you purchase; to whom you sell; or in any other way have financial dealings; so that at any time you may readily ascertain whether the person named at the head of the account owes you a balance, or you owe him a balance, i.e., whether he is a *debtor* or a *creditor*.

The account of the person receiving value from you must be debited with whatever you may have given, whether it be cash, goods, or bills of exchange; and on the contrary the account of the person giving value to you must be credited with whatever you may have received, whether it be cash, goods, or bills of exchange. In other words, value **In** is **Dr.**, value **Out** is **Cr.**

#### Exercise 7.

1906.	April 1.	Sold Goods to Henry Gill .....	£10	-	-
"	2.	Do. do. ....	3	5	:
"	3.	Received of H. Gill, Cash .....	10	-	-
"	4.	Sold Goods to H. Gill .....	8	15	:
"	5.	Received Cash of H. Gill .....	3	5	:
"	6.	Sold Goods to do. ....	4	-	-
"	7.	Received Cash of do. ....	8	15	:

Ledger a/c. of this Customer would appear thus :—

Dr.	Henry Gill, 12 EAST PARADE, LEEDS.	Cr.
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GILL'S					GILL'S				
1906	Receipts.	£	s.	d.	1906	Payments.	£	s.	d.
April 1	To Goods ..	10	-	-	April 3	By Cash ....	10	-	-
" 2	" do. ..	3	5	-	" 5	" do. ....	3	5	-
" 4	" do. ..	8	15	-	" 7	" do. ....	8	15	-
" 6	" do. ..	4	-	-					

Value came **In** to the a/c. of Gill, who was the Receiver of items 1, 2, 4, 6, which therefore required debiting; while value went **Out** of the a/c. of Gill, who was the Giver of items 3, 5, 7, which therefore required crediting.

22. It is now for you to ascertain whether Gill owes you anything or not, by balancing as follows :—

The total of the Dr. side is ..... £26  
And the total of the Cr. side is ..... 22

Leaving a Dr. Balance owing by Gill of... £1

which requires placing on the Cr. side, and the a/c. totalling and ruling off, in red ink, thus :—

Dr.	Henry Gill, 12 EAST PARADE, LEEDS.			Cr.					
	GILL'S Receipts.	£	s	d		GILL'S Payments.	£	s	d
1906 April 1	To Goods ..	10	-	-	1906 April 3	By Cash ..	10	-	-
" 2	" do ..	3	5	-	" 5	" do. ..	3	5	-
" 4	" do. ..	8	15	-	" 7	" do. ..	8	15	-
" 6	" do ..	4	-	-	" Balance	c/d	4	-	-
		£	26	-			£	26	-
April 7	To Balance b/d	4	1	-					

" By Balance £4 " represents the amount owing by Gill to you. It is called a **Debit balance**, which is the balance of an a/c. when the debit side exceeds the credit. A personal a/c. may have a balance on either side, or there may be no balance at all. When the **Cr. side exceeds the Dr.**, as in Ex. 8, it is called a **Credit balance**, and in this instance you would be owing Gill £9.

In Ex. 9 both sides equal each other, therefore the a/c. " balances," and no indebtedness exists.

23. **BALANCES CARRIED DOWN.** When a merchant balances and rules off his books he always " carries forward " or " brings down " the balances of his *Real* and *Personal* a/cs. to the opposite side of each a/c. These balances thereby form the first entries in the new a/cs. See Cash, Goods, and Gill's a/cs. Why should the £4 be carried down to the Dr. side of the latter a/c.? Because Gill is indebted to or owes you £4. If you will refer to Gill's a/c. before it was balanced, you will clearly see that he received from you four lots of Goods, and he only paid for three lots,

25. The **PROFIT & LOSS A/C.** has for its object the *collection* and presentation of all your losses or expenses and all your gains or profits in one concise view, so as to display the net profit realised, or the net loss sustained for a given period. The word loss when applied to book-keeping has a far wider application than when generally used; in fact, it expresses the opposite of gain. If a customer failed to pay for goods sold that would be a loss; but this word is also used in reference to the cost and expenses of carrying on a business; for instance, wages, coal, rent, taxes, repairs, advertising, all of which are regarded as losses; although *materials* or *services* are, of course, given in exchange for such payments.

**SEPARATE A/CS.**, known as subsidiary a/cs., are frequently kept (to relieve the P. & L. A/c. of unnecessary details) for Trade or General Expenses, Interest, Discount, Commission, Bad Debts, Wages, Repairs, Lighting, Fuel, Carriage, Advertising, Dividends, &c., but the *balance* of each such subdivision is always transferred to the P. & L. A/c. on balancing the books.

The rule of Receiver and Giver relating to Real and Personal A/cs. does *not* apply when entering profit and loss transactions. The rule you must observe here is debit all losses or expenses, and credit all gains.

If you commenced business with £500, and the first month lost £50, you can easily see that some A/c. would require debiting with the loss, therefore you debit *your* P. & L. A/c. On the contrary, if you gained £50 it would be to your credit, and you would accordingly credit your P. & L. A/c.

Arrange your Profit and Loss A/c. from the following:—

#### Exercise 10.

1906.	Jan. 7.	Paid for Wages	..	..	..	£3	10	6
	" 9.	Do. Gas	..	..	..	-	15	-
	" 12.	Do. Rent	..	..	..	10	-	.
	" 14.	Do. Wages	..	..	..	3	10	6
	" 15.	Do. Rates	..	..	..	1	1	-
	" 31.	I have allowed Discounts	.....			-	10	-
	" 31.	Discounts allowed me	..	..		5	8	-
	" 31.	Gross Profit on Goods	.....			20	-	.
	" 31.	Commission earned by me	...			6	-	.

The above transactions would be entered thus :—

Dr.	My Profit & Loss A/c.					Cr.				
	1906.	LOSSES OF THE BUSINESS	£	s.	d.	1906.	GAINS OF THE BUSINESS.	£	s.	d.
Jan. 7	To Wages ....	3 10 6				Jan. 31	By Discounts ..	5 8 -		
" 9	" Gas .....	- 15 -				" "	" Goods A/c..	20 - -		
" 12	" Rent .....	10 - -				" "	" Commission	6 - -		
" 14	" Wages ....	3 10 6				" "				
" 15	" Rates ....	1 1 -								
" 31	" Discounts...	- 10 -								

Your Capital was *diminished* by the first six items, which were losses, and with which you have debited yourself; whilst it was *increased* by the last three items, which were gains, and with which you have credited yourself.

**26. BALANCING.** Having thus set forth all your losses and gains you must now ascertain whether your business has resulted in a *net* loss or gain. You will add up both sides of the a/c., place the totals on a slip of paper, and find the difference, thus :—

Total of Cr. side .....	£31 8 -
" Dr. , , .....	19 7 -
Difference .....	<u>£12 1 -</u>

This difference represents a clear gain or profit to you which must be entered on the Dr. side *To Net Profit to Capital A/c.* £12 1s. 0d.; after which insert the two equalised totals, when the account will stand thus :—

Dr.	My Profit & Loss A/c.					Cr.				
	1906.	Losses.	£	s.	d.	1906.	Gains.	£	s.	d.
Jan. 7	To Wages ....	3 10 6				Jan. 31	By Discounts	5 8 -		
" 9	" Gas .....	- 15 -				" "	" Goods A/c..	20 - -		
" 12	" Rent .....	10 - -				" "	" Commission	6 - -		
" 14	" Wages ....	3 10 6				" "				
" 15	" Rates ....	1 1 -								
" 31	" Discounts	- 10 -								
	" Net Profit to Capital A/c.	12 1 -								
			£	31	8 -			£	31	8

The difference existing between the two sides of a Profit & Loss A/c. is always called *To or By Capital A/c.*, because it represents either an increase or decrease of your, the Trader's Capital or wealth. The above a/c. shows you to be richer, and consequently possessed of more Capital at the close of the month by £12 1s. 0d. than you were at the beginning.

Prepare two P. & L. A/cs. showing net gain or loss :

**Exercise 11.**

1906.	Feb. 10.	Paid for Salaries .....	£6 6 -
"	15.	Do. Advertising .....	5 - -
"	18.	Do. Repairs .....	8 - -
"	24.	Do. Salaries .....	6 6 -
"	28.	Do. Trade Expenses .....	15 6 8
"	28.	Discounts allowed to me .....	1 - -
"	28.	Gross Profit on Cloth .....	35 - -

**Exercise 12.**

1906.	Mar. 31.	Paid for Rent .....	£300 - -
		Do. Taxes .....	40 - -
		Do. Coal and Gas .....	35 - -
		Do. Insurance .....	26 - -
		Do. Wages .....	1125 - -
		Discount allowed to Customers	137 - -
		Profit realised on Soap .....	1020 - -
		Do. Candles .....	1341 - -
		Commission received by me ...	243 - -
		Discounts allowed to me .....	93 - -

27. **CAPITAL** is the term used in reference to wealth invested or adventured by a person or company in any business or undertaking. It is the excess or surplus of what you have over what you owe.

28. **CAPITAL A/c.** No Ledger would be complete which did not contain this most important a/c. with yourself as owner or proprietor of the business, showing your net worth. Although the Capital A/c. is properly referred to as an Impersonal A/c. it is really your Personal A/c. with the business; for whatever you invest in, or advance to, a business, you ultimately expect to receive back, with interest and profit.

When opening a Capital A/c. you credit yourself with the net amount you invest in the business. On balancing the Ledger you transfer the difference of the P. & L. A/c. to the Capital A/c. (Par. 26). Should

the difference be a net gain, your capital would be thereby increased, and you would credit the Capital A/c. with the amount; but if, on the contrary, the difference were a loss, your capital would be thereby decreased, and you would debit the Capital A/c. with the amount.

If, while carrying on your business, you withdrew any cash to live upon, or took from your stock any goods, these amounts, *not* being expenses of or connected with the business, would be called **private or personal expenses**, and as they would diminish your Trading Capital, they would require debiting against your Capital A/c. Arrange and balance your Capital A/c.

#### Exercise 13.

1906. Jan. 1. I commenced business with Cash ... £328 19 .  
       ,, 31. My profit for the month is ..... 12 1 -  
       ,, " I have withdrawn for private expenses 4 . -

These three items would be entered thus :—

Dr.	My Capital A/c.				Cr.				
1909	Withdrawals and Net Loss.	£	s.	d.	1906	Capital and Net Profit.	£	s.	d.
Jan. 31	To Cash ..	4	-	-	Jan. 1	By Cash ..	328	19	.
	,, Balance	c/d	337	-	.. 31	,, Net Profit from P. & L. A/c. ...	12	1	-
							£	341	-
		£	341	-					-
					Feb. 1	By Balance b/d	337	-	-

From the foregoing a/c. you will see that your Capital was increased by the Net Profit to £341, and decreased by the withdrawal for private expenses to £337; showing the **net increase** of your Trading Capital to be £8 1s. Od.

Prepare and complete your two Capital A/cs.

#### Exercise 14.

1906. Feb. 1. I started business with a balance of... £337 . .  
       ,, 28. I lost during the month ..... 30 . .  
             My Private Expenses were ..... 6 . .

#### Exercise 15.

1906. Mar. 1. Cr. Balance ..... £301 . .  
       ,, 31. Net Profit ..... 100 . .  
             Withdrew for self ..... 20 . .

**29. A BALANCE SHEET (B/S.)** is a statement at a given date showing the position of a business in relation to its proprietor and other parties. As its name implies, it is used for gathering together all the differences, or " balances " shown in Real and Personal A/cs., with the object of finding out whether you are solvent or insolvent; if the former, what is the amount of your net or trader's capital, if the latter, what is the amount of your deficiency. It is a list of assets (i.e. what you have of value, and what is owing to you by your debtors) and liabilities (i.e. what you owe to your creditors).

All the balances " carried down " from the Cr. to the Dr. side of the various a/cs. are called debit balances, and are your Assets; while all the balances " carried down " from the Dr. to the Cr. side of the various a/cs. are called credit balances, and are your Liabilities.

A Balance Sheet is not an a/c., but simply a statement at a given date, showing the Liabilities on the left-hand side, and the Assets on the right-hand side. You must *not* head a Balance Sheet with " Dr." and " Cr." nor use the words " To " or " By " because these terms would convert the Sheet into an Account. Compile your Balance Sheet from the following :—

#### Exercise 16.

1906. Jan. 31.	Balance of Cash .....	£129	- -
	Closing Stock of Goods .....	273	- -
	Balance owing by Harry Gill to me	100	- -
	Ditto.     Dan Bates do.	37	- -
	Ditto.     Fred Oates do.	18	- -
	Balance owing to Mat Long .....	84	- -
	Ditto.     Sam Shaw .....	111	- -
	Ditto.     Fred Dean .....	25	- -

The above may be entered thus :—

Balance Sheet of ALBERT PUPIL, on 31st January, 1906.

Liabilities. (What the Business Owes)	£	Assets. (What the Business owns)	£
Owing to Mat Long .....	84	Cash in hand .....	129
Do. Sam Shaw .....	111	Goods in stock .....	273
Do. Fred Dean .....	25	Harry Gill owes.....	100
		Dan Bates owes.....	37
		Fred Oates owes .....	18

**30. BALANCING.** Before you can ascertain whether you are solvent (i.e., able to pay 20/- in the £) or insolvent (i.e., unable to pay 20/- in the £) it will be necessary to total both sides and see which is the greater. When the Assets side exceeds the Liabilities side you are said to be solvent; and when the reverse is the case you are said to be insolvent. The difference is the extent of your Capital or Deficiency. In this case the Assets exceed the Liabilities by £337, which shows you to be worth that amount. This difference must be entered on the left side, using the word *Capital*. Then insert the totals as follows, and rule off in red ink:—

Balance Sheet of ALBERT PUPIN, on 31st January, 1906.

Liabilities.		Assets.	
(What the business owes)	£	(What the Business owns)	£
Mat Long .....	81	Cash.....	129
Sam Shaw .....	111	Goods .....	273
Fred Dean .....	23	Harry Gill .....	100
DIFFERENCE <i>Capital of the Proprietor of the Business..</i>	337	Dan Bates .....	87
	£ 557	Fred Oates .....	18
	—	—	—
	£ 557	—	—

Had your Liabilities exceeded your Assets by £337, then you would have been insolvent. The difference would have required entering on the other side; *Deficiency £337*. If both sides of your Balance Sheet equalled each other, you would still be solvent, because you could discharge your Liabilities in full, but you would have no Capital or estate, no surplus or excess.

From the following construct two Balance Sheets and show the extent of your Capital or otherwise.

#### Exercise 17.

1906. March 31. I have Cash in hand, £70 6s. 8d.; Coal unsold, £68; Value of Wagons, £80; Value of Horses and Carts, £130; Debts owing to me, £84 13s 4d.; I owe Leeds Coal Co., £348; I owe Rent, £50; I owe L. & Y. Rly. Co. £27; I owe City

## THEORETICAL BOOK-KEEPING.

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31. There is only one system of Book-keeping, and that is generally known by the name of double entry, a *two-fold entry* being necessary because it takes two to make a transaction.

The term *Single Entry* is, however, so frequently used, that it is necessary to caution you against this misnomer. *Single Entry* is the very reverse of a system, being the name applied to every faulty, incomplete, inaccurate, unscientific and unsystematic style of account-keeping, in the application of which there is generally a combination of no entry, single entry, and double entry. Strictly speaking, "single entry" merely keeps personal accounts, which enable you to ascertain the debit or credit of the firms with whom you trade, and absolutely fails to keep any impersonal accounts whatever. The principal objections to this system are its incompleteness in only partially recording each transaction, and its inability to prove the correctness of its books. It affords no check on the accuracy of the posting and no safeguard against fraud. Although the profit realised or the loss sustained may be ascertained, by comparing the state of affairs at the commencement of a given period with the state of affairs at the end of that period, it is impossible to discover how your capital has been increased or decreased. In recording some of the facts "single entry" does much of the work of "double entry," whilst it possesses none of the advantages of "double entry," which records all the facts, as well as their results. One writer has well said that "single entry" does not deserve a name, and he aptly suggests the respective terms of "Book-keeping" for double entry, and "Imperfect Book-keeping" for single entry.

32. **DOUBLE ENTRY** is the name of the principle or method, the application of which will enable you, not only to answer all the questions set forth in par. 3, but also prove the correctness of those answers. It is a system which is absolutely perfect in its arrangement and mathematically accurate in its results.

You will remember that a transaction consists of an exchange or transfer for value, either in the form of money, goods, or services. The words **exchange** and "transfer" at once imply two sides or two parties. It is therefore the first principle in Book-keeping that there must be two parties in performing a transaction—one that receives, and one that gives. It is impossible for there to be a debtor without a creditor. The receiver is called the **Debtor**, and the giver the **Creditor**. If every transaction has two sides to it, if it is of a two-fold character, there must, in order to make a perfect record of the transaction, be two entries in the Ledger. If there is a double effect in the transaction there must be a double entry in the record, the one to the debit of one a/c. and the other to the credit of another a/c. Thus if you pay John Lees £20, he becomes your debtor, *so far as that transaction is concerned*, and you become his creditor. Your Ledger would appear as follows :—

Dr.	John Lees.	Cr.
	£    s. d.	
To Cash ..	20 - -	

Dr.	My Cash A/c.	Cr.
	£    s. d.	
	By J. Lees	20 - -

### 33. The advantages of double entry are :—

1. The correctness of all entries can be verified.
2. The value of the purchases and sales, with the gross profit realised, or the gross loss sustained, is clearly set forth.
3. The net gain or loss is clearly displayed in one a/c—the Profit & Loss A/c.

4. The exact state of your affairs is verified by the agreement of two balances quite dissimilar in their composition—the balance of the Capital A/c. and that of the Balance Sheet.

The only errors which double entry cannot prevent or discover are (a) A mistake or omission in the original entry. (b) A double or equalising error in the transfer to the Ledger. (c) Posting an amount to the wrong a/c.

34. It would, of course, be possible to enter the transactions direct from the Waste Book into the Ledger, without the intervention of any subsidiary books; but as such a practice, even with great care, would be likely to lead to errors and omissions which it would be difficult to discover, it would not be advantageous or economical to adopt such a course.

In order to avoid such errors and omissions, the chronological record is first used, and a subsidiary book is employed in which to prepare and arrange the entries into debits and credits, for the *principal* book, the Ledger. Subsidiary means helping, assisting, aiding. This subsidiary or helping book is called the JOURNAL or daily register, and may be said to classify the transactions into debits and credits so as to simplify their transference into the Ledger. The pages of the Journal are vertically divided into five sections, viz. :—

1	2	3	4	5
Date Column	Body of the Journal, where the wording and narration of the entry is written.	Led. Fol. Col.	£ s. d. Dr. Mo ne y Col umn	£ s. d. Cr. Mo ne y Col umn
to correspond with the two sides of the Ledger.				
1919	Example of Journalising.		Dr.	Cr.
Jan. 1	Goods A/c. .... Dr.	6	200	- -
	To Albert Lee.....	9	-	200
	For Goods purchased.			- -

**35. A NARRATION** is a reason for, or explanation of, an entry. Thus the words *For Goods purchased* at the foot of the entry on the last page, explain and give the reason for the preceding entry. Narrations, however, while rarely used in elementary book-keeping, are frequently employed in journalising important transactions in the accounts of limited companies.

**36. JOURNALISING** is the act of recording your transactions in the Journal, so as to facilitate their transfer to the Ledger, and is particularly helpful in enabling you to grasp the principle of book-keeping by double entry. Each transaction requires at least two lines in the Journal. The transaction "Bought Goods of Albert Lee, £200," is journalised in the example given on the previous page.

You will notice that the Dr. money column is placed before, or to the left of, the Cr. money column; therefore the name of the a/c. to be debited "Goods A/c." is written on the line above and before the name of the a/c. to be credited "To Albert Lee."

While the name of the a/c. to be *debited* is always placed close to the left-hand margin line, the name of the a/c. to be *credited* must be commenced a short distance from the margin line, in order to correspond with the position of the money columns. This arrangement is of great assistance to the eye when transferring the items to the Ledger.

It is unnecessary to place "Cr." after the name of the a/c. to be credited, because if one a/c. is Dr. it follows that the other must be Cr. While **To** must preface each credit item, the word **By** is *never* used in the Journal.

A thin red line should be ruled between each transaction (not between each line), across the page, from the *date column* to the *folio column*. This gives a finish to your work, and a distinctive appearance to each transaction. (See page 37).

## 87. RULES FOR JOURNALISING.

1. All Transactions. Every Dr. must have a Cr. in order to comply with the principle of Double Entry, therefore take each transaction *separately*, and ask yourself two questions—
  - a. What A/cs. are concerned?
  - b. Which of them is Dr. and which is Cr.?
2. Real and Personal Accounts.
  - a. Value coming into or Received by an a/c. is Dr.
  - b. Value going Out of or Paid by an a/c. is Cr.
3. Nominal or Proprietary A/cs.
  - a. All Costs, Expenses, Charges, Losses or Deductions from Capital are Dr.
  - b. All Gains or Profits, or additions to Capital are Cr.

Journalise Exercise 19, after which add up both columns of the Journal to see that the totals are alike.

### Exercise 19.

#### *WASTE BOOK ENTRIES, of Albert Pupil.*

1907.

Jan	1.	Started with cash (see par. 39) .....	£520	-	-
"	2.	Bought Goods for Cash ... .....	328	16	6
"	5.	Sold Goods to Henry Gill ..... .....	10	-	-
"	6	Sold Goods for Cash ..... .....	48	3	6
"	9	Received Cash from Henry Gill ..... .	10	-	-
"	9.	Sold Goods to Henry Gill ..... .	3	5	-
"	13.	Ditto Henry Gill ..... .	8	15	-
"	15.	Ditto Thomas Gee ..... .	87	6	8
"	16.	Received Cash from Henry Gill ..... .	3	5	-
"	19.	Bought Goods from Harry Frost .....	50	-	-
"	22.	Sold Goods to Henry Gill .. .....	4	-	-
"	26.	Paid Harry Frost, Cash .. .....	25	-	-
"	28	Received Cash from Henry Gill .....	8	15	-
"	30.	Ditto Thomas Gee .. .	57	6	8
"	31	Paid Rent (see par. 25) .. .....	10	-	-
<i>Total of Stock .... £250</i>			6	4	

38. N.B.—Presuming that the first page of your manuscript Journal will only contain thirteen of the above transactions, you must draw a red ink line across the money columns and total them both, underneath the red line at the bottom of the first page, as follows :—

<i>Carried forward</i>	£1107	6	8	£1107	6	8.
------------------------	-------	---	---	-------	---	----

No line should be ruled *underneath* these totals, but double red lines should be ruled under *final totals*.

The top of the *second* page must commence as follows :—

Dr.	Cr.
1907, <i>Brought forward</i> £1107	6 8 £1107 6 8.

On the next line you will continue with the remaining transactions, thus :—

Jan. 30. <i>Cash</i> .....	<i>Dr.</i> £57	6	8	
	<i>To Thomas Gee</i> .....	£57	6	8.

39. CAPITAL A/C. Started with Cash, £520, means that you have commenced business with a Capital of £520. It will be quite clear to you that this amount is placed in the Cash A/c. which requires debiting, but it may not be quite so clear what a/c. requires crediting. When you, as proprietor of a business, invest therein a sum of money you must credit a Capital A/c. in order to show to whom the capital belongs, otherwise your Ledger would not contain a record of *all* the facts. You must always regard your business as separate and distinct from yourself in your private capacity, and therefore you should open an a/c. called *A. Pupil's Capital A/c.*, showing yourself to be a *creditor of the business*, because the business *owes* you £520, which is the amount of the trader's or proprietor's capital. When there are several partners, separate capital a/cs. are necessary in order to show what amount each of them has invested in the concern. (See par. 28.) A person carrying on business *alone*, without partners, is called a *sole trader*.

## EXERCISE 19 would be journalised as follows :—

ALBERT PUPIL'S Journal.			Dr.	Cr.				
1907		Led. Fol.	£	s.	d.	£	s.	d.
Jan.	1 Cash .....	Dr.	520	-	-	520	-	-
	To A. Pupil's Cap, A/c.							
"	2 Goods .....	Dr.	328	16	6	328	16	6
	To Cash .....							
"	5 Henry Gill .....	Dr.	10	-	-	10	-	-
	To Goods .....							
"	6 Cash .....	Dr.	48	8	6	48	8	6
	To Goods .....							
"	8 Cash .....	Dr.	10	-	-	10	-	-
	To Henry Gill .....							
"	0 Henry Gill .....	Dr.	3	5	-	3	5	-
	To Goods .....							
"	18 Henry Gill .....	Dr.	8	15	-	8	15	-
	To Goods .....							
"	15 Thomas Gee .....	Dr.	87	6	8	87	6	8
	To Goods .....							
"	16 Cash .....	Dr.	8	5	-	8	5	-
	To Henry Gill .....							
"	19 Goods .....	Dr.	50	-	-	50	-	-
	To Harry Frost .....							
"	22 Henry Gill .....	Dr.	4	-	-	4	-	-
	To Goods .....							
"	26 Harry Frost .....	Dr.	25	-	-	25	-	-
	To Cash .....							
"	28 Cash .....	Dr.	8	15	-	8	15	-
	To Henry Gill .....							
"	30 Cash .....	Dr.	87	6	8	87	6	8
	To Thomas Gee .....							
"	31 Profit & Loss A/c. (Rent) ...	Dr.	10	-	-	10	-	-
	To Cash .....							
	Total of Journal .....		£1174	13	4	£1174	13	4

40. **POSTING** is the act of separately transferring each entry from the *Journal* or other *Book of Original*

*Entry*, to the a/c. that such entry affects in the Ledger. When posting from the *Journal* the amount is always entered in the *same* column in the Ledger.

41. After totalling and ruling off the Journal you will proceed to post, or make the classified record.

On looking through the Journal you will find that there are seven *different* a/cs. concerned, for each of which you will open an a/c. in the Ledger, writing the headings very boldly. Always arrange the a/cs. in the Ledger in the following order :—

1. Capital and Impersonal A/cs.
2. Personal A/cs.
3. Profit & Loss A/c. and Balance Sheet.

When posting, you must not forget the rule, that the name of an a/c. in which you are posting an entry must not be written in that a/c. The first entry being in the Dr. column, will be posted to the Dr. side of the Cash A/c. in the Ledger thus :—1907, Jan. 1. To Capital, £520; while the second item, being in the Cr. column, will be posted to the Cr. side of the Capital A/c., thus :—1907, Jan. 1. By Cash, £520. Each line in the Journal indicates the a/e. in the Ledger to which that amount must be posted.

42. FOLIOING. The pages of all books of account are folioed or numbered in numerical order for convenience of reference. No entry must be transferred or posted from one book or page to another, without the reference number or folio being also posted. Therefore as each separate amount is posted into the Ledger, you must always be careful to :—

1. Enter the Journal Folio in the narrow column provided for it in the Ledger.
2. Enter the Ledger Folio in the narrow column provided for it in the Journal.

43. TRIAL BALANCE. After you have finished posting and before attempting to ascertain what profit you have realised on your month's transactions, it is desirable that you should be certain that the postings have been properly made. Therefore, you will prepare

a Trial Balance, the object of which is to test whether the Ledger has been correctly posted.

Write down on a piece of paper the names of the seven a/cs. in the Ledger. Then add up the Dr. and Cr. Columns of each separate a/c. and place the total postings opposite the name of such a/c. in the Dr. and Cr. Columns. You will then add up the two columns of postings, when, if the totals are equal, and also correspond with the total of the Journal, your posting is thereby proved to be arithmetically accurate. Enter the T.B. in your Journal. You will readily see that had you omitted, increased, decreased, or misplaced an item it would have caused a disagreement between the totals of the two columns, whereupon you would have searched out and supplied the omission or corrected the error.

#### TRIAL BALANCE of Exercise 19.

Ledger A/cs.	Led. Fol.	Dr.	Cr.				
		£	s.	d.	£	s.	d.
Capital .....	1				520	-	-
Cash .....	1	647	10	2	363	16	6
Goods .....	1	378	16	6	161	10	2
Henry Gill .....	2	26	-	-	22	-	-
Thomas Gee .....	2	87	6	8	57	6	8
Harry Frost .....	2	25	-	-	50	-	-
Profit & Loss A/c. ....	3	10	-	-			
Corresponds with Journal		£ 1174	13	4	1174	13	4

Having thus far proved the arithmetical accuracy of your work, you will now proceed to the next process of balancing and closing the a/cs. in the Ledger so as to arrive at the answers to the five questions in par. 3, and prove the accuracy of such answers.

**44. STOCK-TAKING** is the valuing of all goods on hand, together with the plant, machinery, fittings, appliances and other property belonging to, or used in a business, so that they may be taken into a/c. when balancing or closing the books, and enable the owner to discover his exact financial position. (See par. 20).

**45. BALANCING BOOKS** is the winding-up and adjusting of all a/cs. in the Ledger, with the object of finding what profits have been realised or what losses have been sustained during a given time. Balances are more conspicuous when written in red ink.

**46.** If you were actually engaged in carrying on a business, before you could balance your books, it would be necessary for you to take part in the tedious process of Stock-taking. As a class-room student, however, you are saved this piece of practical work by the **Stock-in-trade** or **Value of Stock** being stated at the end of each exercise.

If you refer to par. 20 you will find that the first operation in balancing is the placing of the **Value of Stock** on the Cr. side of the **Goods A/c.** in the Ledger thus:—*Jan. 31, By Balance (stock) £250 6s. 4d.*

Add up both sides and place totals on a slip of paper; find the difference as follows:—

Cr. side of Goods A/c ..	£411 16 6
Dr. side of Goods A/c ..	378 16 6
This difference of .....	£33 . .

being a gain, requires entering on the Dr. side to equalise the A/c. thus:—

*Jan. 31. To Gross Profit £33.*

A loss would require entering on the Cr. side.

Now insert the equalised totals of £411 16s. 6d., as shown in the key on page 42.

**47.** This £33 is called your **Gross Profit**, because there have not been deducted from it any Trade Expenses, or other charges in connection with your business.

You will now carry this £33 to the Cr. or "Gains" side of the P. & L. A/c. and enter thus:—

*1907. Jan. 31. By Gross Profit from Goods A/c. £33.*

You will observe that the only item of expense is Rent, while the only source of income is profit on goods. It therefore follows that if the sum on the Cr. side

exceeds the sum on the Dr. side, the *difference* must be the *net profit* or clear gain, because all expenses have been deducted. In this case the net profit or difference requires entering on the Dr. side, thus :—

*Jan. 31. To Net Profit carried to Capital A/c., £23.*

A Net Loss would, of course, be entered on the Cr. side.

Now insert the equalised totals of £33 as on page 43.

**48.** This net profit of £23, which is an increase of surplus assets, is due to you as proprietor of the business, and since you are richer by £23 than you were at the beginning of the month, this amount must be carried to your credit, that is, the Cr. side of the Capital A/c. and entered :—

*Jan. 31. By Net Profit £23.*

Your net Capital is thereby increased to £543, and as there is no item on the Dr. side you will balance by placing the sum on the Dr. side and entering :—

*1907, Jan. 31. To Balance, £543.*

Insert the equalised totals of £543 as shown on page 42.

Now balance the remaining four a/es. in the usual way by placing the difference or equalising amount in each case on the lighter side of the a/e. prefaced by *Jan. 31, To* or *By Balance*, and carry down the balances, after which the A/es. are said to be *closed*.

**49. PROOF OF ACCURACY.** The Cr. balance of the Capital A/c. (£543) represents the *excess of Assets over Liabilities*. As such Assets and Liabilities are the *balances* of the Real and Personal A/es., it must follow, therefore, that if the a/cs. are correct, a Balance Sheet comprising the balances of the a/cs., except the Capital, will give the same balance as that shown by the Capital A/c. Having ascertained by means of your Capital A/c. what your Capital ought to be, you will therefore now proceed to establish, by the construction of a Balance Sheet, what your Capital is, by following the directions given in pars. 29 and 30.

Compare your Ledger with key on pages 42 and 43.

You will find that your Assets exceed your Liabilities by £543, therefore you are solvent to that extent. While your Capital A/c. states that your Capital ought to be £543, your Balance Sheet states that it is £543. From the corroboration or agreement of these two amounts: the balance of the Capital A/c. and the Capital in the Balance Sheet, your books are proved to be accurate.

### LEDGER for Exercise 19.

Dr.		ALFERT PURN's Capital A/c.					Cr.				
1907	Jan. 31	"	£	s	d		1907	"	£	s	d
	To Balance .....	c/d	513	-	-		Jan. 1, By Cash	1	520	-	-
							" 31, " Net Profit .....	3	23	-	-
			£	51	-				£	541	-
							Feb. 1, By Balance ...	b/d	513	-	-

Dr.		Cash A/c.					Cr.				
1907	Jan. 1	Receipts.	£	s	d	1907	Payments.	£	s	d	
	To Capital .....	1	520	-	-		Jan. 3, By Goods .....	1	225	16	6
" 6	" Goods .....	1	44	3	6	" 26	" H. Frost .....	1	25	-	-
" 9	" H. Gill .....	1	10	-	-	" 31	" Rent .....	1	10	-	-
" 16	" H. Gill .....	1	3	5	-	" "	" Balance ....	c/d	283	13	6
" 23	" H. Gill .....	1	8	15	-						
" 30	" T. Gee .....	1	57	6	8						
			£	647	10	2					
Feb. 1	To Balance ...	b/d	283	13	6			£	647	10	2

Dr.		Goods A/c. or Trading A/c.					Cr.					
1907	Jan. 2	Purchases.	£	s	d	1907	Sales.	£	s	d		
	To Cash .....	1	328	16	0		By H. Gill .....	1	10	-	-	
" 19	" H. Frost ..	1	50	-	-	" 6	" Cash .....	1	48	3	6	
" 31	" Gross Profit carried to P. & L.A/c	3	33	-	-	" 9	" H. Gill .....	1	3	5	-	
			£	411	16	6	" 13	" H. Gill .....	1	8	15	-
							" 15	" T. Gee .....	1	67	6	8
							" 23	" H. Gill ..	1	4	-	-
							" 31	" Bal. (stock)	c/d	250	6	4
Feb. 1	To Balance ...	b/d	250	6	4			£	411	16	6	

## Dr. Henry Gill, 50 King Street, Leeds. Cr.

		£	s.	d.		1907		£	s.	d.
Jan. 5	To Goods .....	1	10	-		Jan. 9	By Cash .....	1	10	-
" 9	" Do. ....	1	3	5	-	" 16	" Do. ....	1	3	5
" 13	" Do. ....	1	8	15	-	" 28	" Do. ....	1	8	15
" 22	" Do. ....	1	4	-	-	" 31	" Balance.....	c/d	4	-
		£	26	-				£	26	-
Feb. 1	To Balance ... b/d		4	-	-					-

## Dr. Thomas Gee, 8 Pavement, York. Cr.

		£	s.	d.		1907		£	s.	d.	
Jan. 15	To Goods .....	1	87	6	8	Jan. 30	By Cash ..... ..	1	57	6	8
		£	87	6	8	" 31	" Balance... ..	c/d	30	-	-
Feb. 1	To Balance ... b/d		30	-	-			£	87	6	8

## Dr. Harry Frost, 15 Ouse Street, Goole. Cr.

		£	s.	d.		1907		£	s.	d.	
Jan. 26	To Cash .....	1	25	-	-	Jan. 19	By Goods ..... ..	1	50	-	-
" 31	" Balance.....	c/d	25	-	-			£	50	-	-
		£	50	-	-					-	-
						Feb. 1	By Balance ... b/d		25	-	-

## Dr. Profit &amp; Loss A/c. Cr.

	Losses.	£	s.	d.		1907	Gains.	£	s.	d.	
Jan. 31	To Rent .....	1	10	-	-	Jan. 31	By Gross Profit from Goods A/c.	1	33	-	-
" 31	" Net Profit to Cap. A/c. ...	1	23	-	-			£	33	-	-
		£	33	-	-					-	-

## Balance Sheet of ALBERT PUPIL on 31st January, 1907.

Liabilities.	£	s.	d.	Assets.	£	s.	d.
Harry Frost.....	25	-	-	Cash in hand.....	253	13	8
CAPITAL .....	543	-	-	Goods on hand.....	250	6	4
				Henry Gill.....	4	-	-
				Thomas Gee.....	30	-	-
	£	568	-		£	568	-

50. M.O.—A Money Order is an order made by one Post Office to another *specified* office, for payment of *any sum* not exceeding £40 to a particular person; or, if crossed, to *blank*; such sum having been first deposited with the issuing office by the sender or remitter. A small charge called *poundage* is made for the order.

51. P.O.—A Postal Order is an order made by one Post Office to *any other* Post Office (not specified by the official), for the payment of *any one of forty-one fixed sums*, ranging from 6d. to 21s. to any person; the amount having been first deposited with the issuing office by the sender. A small charge called *poundage* is made upon issuing an Order.

Both Orders must always be treated as Cash.

52. TRANSACTIONS involving new difficulties are explained either in numbered paragraphs, or in notes at the end of the respective exercises. The numbers of such paragraphs are given in *brackets* at the end of the transaction affected, and a note is indicated by :—(N.B.)

#### Exercise 20.

1907.	Journalise the following transactions of Albert Pupil :—
Feb. 1.	<i>Assets</i> —Cash in hand (see par. 53a) .. £283 13 8
	Goods on hand .. ... 250 6 4
	Henry Gill owes me ... .. 4 ..
	Thomas Gee owes me ..... 30 ..
	<i>Liabilities</i> —I owe Harry Frost ..... 25 ..
	Capital ..... " .. ..... 543 ..

#### Transactions :—

1.	Bought of Field & Co (see par. 53b)
"	6 doz. Pickwick Papers @ 8/- ... £2 8 ..
4	,, Vanity Fair @ 8/- ..... 1 12 ..
1	,, Green's History @ 60/- ..... 3 ..
2	,, Alton Locke @ 18/- ... ... 1 16 .. 8 16 ..
2.	Sold to Henry Hoole—Kingsley's Life - 6 ..
	Alton Locke - 2 ..
	Darkest Africa - 18 .. 1 6 ..
3.	Bought Goods for Cash ..... .. ..
4.	Sold Hy. Gill—Corn Law Rhymes - 10 ..
	Whittier .. .. .. 5 ..
	A. Lincoln..... 3 3 .. 3 18 ..

Feb. 5. Bought of Cassell & Co.—

	History of England, 10 vols. ....	£3 10 -
"	Life of Christ .....	- 9 -
"	1 doz. Combe on Education .....	- 10 -
"	1 doz. " Man .....	.10 -
		4 19 -
" 9.	Received M.O. (Cash) from Henry Gill .....	7 18 -
" 10.	Paid for Repairs (see pars. 54 & 81) .....	1 17 6
" 11.	Sold Book for Cash .....	3 9 6
" 12.	Bought Goods for Cash .....	5 5 -
" 13.	Sold to Henry Hoole— Huxley's Lay Sermons .....	12 6
	Burns .....	.8 -
	Knight's Shakespeare .....	2 6 6
		3 7 -
" 16.	Received P.O. (Cash) from Henry Hoole ...	1 6 -
" 17.	Sold to H. Frost—Modern Painters 10 4 - Boswell's Johnson 3 6 - Waverley Novels.. 10 10 .	24 - -
" 18.	Sent Harry Frost P.O. (Cash) ...	1 - -
" 19.	Bought of George Allen— 1 doz. Sesame & Lilies @ 6/- each 3 12 - 1 " Ethics of the Dust @ 6/- each 3 12 - 1 " Ruskin's Selections @ 7/- each 4 4 -	11 8 -
" 20.	Bought of Cassell & Co., Goods ...	9 13 -
" 22.	Paid for Postage Stamps (par. 54) .....	1 - -
" 28.	Cash Sales during month (par. 53c) .....	145 18 2
" 28.	Paid Rent (par. 54) . ....	10 - -
" 28.	Paid for Advertising (par. 54) ...	5 6 8

Post the Journal into the Ledger. Make a Trial Balance, then Balance the Ledger, *valuing the Goods on Hand at £175*. Prepare a Balance Sheet. (See page 109).

53. N.B.—(a) When opening the Journal, Assets being Dr. balances brought forward, are debited; and Liabilities being Cr. balances brought forward, are credited, thus :—

1907	Feb.	L. F.	Dr.	Cr.
	1	Cash .....	Dr.	
		Goods .....	"	283 13 8
		Henry Gill .....	"	250 6 4
		Thomas Gee .....	"	4 - -
		To Harry Frost ....		30 - -
		" Capital .....		25 - -
				543 - -
			£568 - -	£568 - -

When posting these six items to the Ledger you must use the words *To* or *By Balance*.

- (b) Although there are many particulars given as to the quantity and price of goods bought and sold, these details must *not* be entered in the Journal. The first transaction will come underneath the above opening entries thus :—*Goods ... Dr. £8 16 -.*

*To Field & Co ..... £8 16 -.*

- (c) The term **Cash Sales** means receipt of cash for goods sold over the counter, and must be entered *Cash Dr. To Goods*. In practical work (page 79) enter on Dr. side of Cash Book :—*To Goods or To Sales*.

**54. A TRADE EXPENSES A/c.** must be debited with Repairs, Stamps, Rent, and Advertising, &c. This a/c. is called a subsidiary P. & L. A/c. because it helps the latter and relieves it of much unnecessary detail. When closing the Trade Expenses A/c. enter on the Cr. side, *By Transfer to P. & L. A/c. £18 4 2*, and carry this total to the Dr. side of the P. & L. A/c., and enter *To Trade Expenses A/c., £18 4 2*. The Journal entry for the first item of Expenses in Ex. 20 would be : *Feb. 10. Trade Exs. (Repairs) Dr. £1 17 6*

*To Cash ..... 1 17 6.*

Dr.	Trade or General Expenses A/c.	Cr.
1907		
Feb. 10	To Repairs ..	£ s d
" 22	" Postages ..	1 17 6
" 28	" Rent ...	1 - -
" "	" Advertising	10 - -
		5 6 6
		—
	£ 18 4 2	£ 18 4 2

#### Supplementary Practical Exercise 20a.

Walter Marshman (Woollen Merchant) had Assets and Liabilities on the 1st November, 1908, as follows :—

*Assets.      Cash in hand, £600      Liabilities.*

Stock of Cloth .....	£2000	Due to Soames & Co. ...	£400
Due from Saml. Fletcher	100	," Broughton & Co. ...	300
" Jas. Ramshaw	50	Capital ... ..	2155
" Edward Booth	35		
" George Taylor	70	£2855	£2855

Nov. 2. Bought from Soames & Co. :—	
20 Pcs. W'std. Coatings, Black = 825 yds. @ 5/- £206	5 .
10 " " Blue = 414 yds. @ 4/6 93 3 .	
8 Pcs. Vicunas, Blk. & Blue = 280 yds. @ 5/- 70 -	-
,, 3. Paid Soames & Co. ....	300 . .
,, 4. Sold James Ramshaw :—	
100 yds. Mixt. Trouserings @ 3/- £15 . .	
80 yds. W'std. Coatings, Blk. @ 7/- 28 . .	
50 yds. Vicunas, Black ..... @ 6/6 16 5 . 59 5 .	
,, 5. Received Cash from Samuel Fletcher .....	50 . .
,, 7. Sold Samuel Fletcher :—	
120 yds. W'std. Coatings, Blue @ 6/- 36 . .	
90 yds. Grey Mixture Cloth @ 5/- 22 10 . 58 10 .	
,, 9. Paid Broughton & Co. ....	150 . .
,, 9. Bought of Broughton & Co. :—	
20 Pcs. Tr'serings = 742 yds. @ 3/6 129 17 .	
15 Pcs. Mixt. Cloth = 520 yds. @ 4/- 104 . . 233 17 .	
,, 11. Received from James Ramshaw, Cash .....	50 . .
,, 12. Received from George Taylor .....	40 . .
,, 12. Paid Wages .....	10 5 .
,, 18. Sold Samuel Fletcher :—	
200 yds. Italian Lining ..... @ 1/6 15 . .	
120 yds. Fancy Trouserings @ 4/6 27 . . 42 . .	
,, 21. Sold to James Ramshaw :—	
50 yds. Superfine Blk. Cloth @ 8/- 20 . .	
60 yds. Black Vicuna ..... @ 6/- 18 . .	
50 yds. Lining ..... @ 1/4 3 6 8 41 6 8	
,, 23. Received Cash from Samuel Fletcher .....	50 . .
,, 24. Paid Soames & Co. ....	100 . .
,, 25. Received Cash from James Ramshaw .....	59 5 .
,, 27. Paid Wages .....	11 . .
,, 28. Sold George Taylor :—	
100 yds. Blk. W'std. Coatings @ 7/- 35 . .	
100 yds. Trouserings ..... @ 4/- 20 . .	
100 yds. Linings ..... @ 1/6 7 10 . 62 10 .	
,, 28. Received from George Taylor, Cash .....	70 . .
,, 30. Goods sold for Cash .....	100 . .
,, 30. Paid Sundry Expenses .....	4 . .

*Stock of Goods £2300. (See page 109).*

**Answer.** Gross Profit, £60 6 8; Net, £35 1 8; Capital, £2190 1 8.

### Supplementary Practical Exercise 20b.

1908. Dec. 1. Prepare the Books of Albert Jones, Stationer.

Assets—Dr. Balances.	Liabilities—Cr. Balances.
Cash .....	£196 8 9
Goods .....	238 4 3
Seth Whiteley ...	9 16 7
Edwin Wilson ...	14 2 8
Norman Kaye ...	10 7 4
£468 19 7	£168 19 7

Dec. 14. Paid for Repairs .....	£3 2 6
,, 15. Received M.O. from Frederick Davey	113 6
,, 16. Bought Goods by Auction for Cash .	16 4 3
,, 17. Sold to Walter Richardson :—	
1 Roll Tracing Paper ..... .	8 6
1 Roll Tracing Cloth ..... .	1 16 -
6 Qrs. Drawing Paper, D.I. @ 16/-	4 16 -
1 doz. Assorted Sable Brushes .....	9 10
3 Premier Files . . ....@ 2/6 .	7 6
	7 17 10
,, 18. Bought from Millington & Co. :—	
100,000 No. 5 Manilla Pockets @ 3/6	17 10
25,000 Foolscap Cartridge ...@ 7/6	9 7 6
10,000 No. 7 Owl Parchment ...@ 5/6	2 15 -
	29 12 6
,, 19. Sold to Seth Whiteley :—	
4 Rms. Typewriting Quarto @ 4/3	- 17 -
6 " " Foolscap @ 5/6	1 13 -
1,000 Commercial Envelopes .....	- 8 6
8 Rms. Duplicating Quarto .....	@ 2/- . 16 -
8 " " Foolscap . . @ 2/4	- 18 8
	4 13 2
,, 21. Received from Seth Whiteley ... .	3 2 6
,, 22. Paid for Advertising .. .... .	6 7 6
,, 23. Sold to Norman Kaye :—	
1 Ellam's Duplicator .. . . .	5 5 -
2 Tubes Black Ink ..... @ 6/6	- 13 -
2 Bottles Varnish . . . . @ 1/-	. 2 -
5 Quires Stencil Paper .....	@ 4/6 1 2 6
5 doz Carbon .. . . . @ 4/-	1 . .
	8 2 6
,, 24. Bought of Charles Town :—	
3 Rms. Purple Royal ... ...@ 21/9	3 14 3
50 Rms. Large Post. Cream Wove,	
23 lbs. = 1150 ..... ...@ 2½d.	13 15 6
	17 9 9
,, 24. Paid Chas. Town .. .... .	26 18 5
,, 25. Paid Hayden & Co. ... .	43 5 9
,, 28. Paid Christmas Gratuities .....	1 2 6
,, 29. Received from Walter Richardson ...	7 17 10
,, 30. Sold Edwin Wilson :—	
4 Manifold Books .. .... @ 2/-	- 8 -
1 Letter Balance .. . . . .	1 8 -
5,000 Manilla Envelopes .....	@ 4/6 1 2 6
	2 18 6
,, 30. Received from Norman Kaye .....	1 11 -
,, 31. Ready-money Sales .. .... .	115 6 9
,, 31. Paid Sundry Trade Expenses .....	3 15 -

*Value of Stock, £269. (See page 110).*

Answer.—*Gross Profit, £77 18 6; Net, £62 1 -; Capital, £362 1 -.*

**65. BANK.** A Commercial Bank is an establishment for the custody and issue of money. Bank business consists principally of (1) keeping Current A/c's, for customers (2) receiving D posits at interest (3) discounting Bills of Exchange (4) advancing money in the form of Cash Credits and loans or overdrawn a/c's. (5) issuing Bank Notes (6) acting as Agents for others.

The income of a Bank is chiefly derived from (1) interest on overdrawn a/c's, loans and investments (2) Commission on cheques drawn on Current A/c's (3) charges made on discounting Bills of Exchange (4) Commission received for acting as agent (5) the issuing of Notes. Bankers accept money either on deposit account or current account

**A Deposit Account** is one where sums of money are deposited, either for a fixed period of three, six, or twelve months, or available at customer's notice, or on demand. The rate of interest depends on the conditions of the lodgment, but it is not usual to allow interest for a less period than a month. The acknowledgment of the receipt of a fixed sum by the banker is generally given on an oblong piece of paper, known as a Deposit Receipt, on which is specified the interest to be paid and the notice to be given before the money is withdrawn.

**A Current or Drawing Account** is one in which are entered transactions between two parties; an open a/c. into which the customer of a bank pays money and out of which he may draw on demand, without giving any notice, the oldest credits being set off against the oldest debits. Money may thus be lodged in a bank to be withdrawn or added to at any time, with or without interest, as may be agreed upon. It is the practice in London for a Bank to require from a customer that he shall keep a minimum balance of say £50 or more to his credit, upon which no interest shall be allowed, and in return for which the Bank shall charge no commission to the customer on the turnover. In the provinces it is more usual to allow 2% interest on credit balances and charge 2/6% commission on the turnover, i.e., on the total amount of cheques drawn. There are six great advantages in having a Commercial Banking /c. :—

1. The inconvenience and danger of having in your office large sums of money is avoided, and you may receive interest thereon.

2. By means of small slips of paper called "cheques" you are able to transfer money, not only to another merchant in your own town, but also to any part of the country, thus avoiding the trouble of counting and the expense and risk of sending coin or notes. Cheques may be used as evidence in case of disputed payments; and where all your cash transactions are passed through the Bank an authentic record is thus kept.

3. You may have collected without any trouble the cash for the cheques and bills of exchange received by you, as well as have your bills of exchange discounted.

4. A banker is a continual referee as to respectability, and thus a means of increasing your credit; while information as to the stability of other traders, having a banking a/c., is easily ascertained.

5. You may overdraw your a/c. on providing sufficient security to cover the overdraft.

6. A Bank is a secure place of deposit for any deeds, papers, or other property requiring special care. It is also a ready channel of obtaining information respecting commercial transactions, payments abroad, buying or selling stock, and many other matters.

When commencing business, or opening a current or drawing a/c. with a Bank, it is usual to have an interview with the Manager, to arrange the terms and sign the Autograph Book. Upon making your first deposit a

**PASS BOOK** is handed to you by the banker, in which all the amounts received and paid away by him on your behalf are shown. This Book must be taken to the Bank at frequent intervals to be entered up, and on its return each item must be carefully checked, in order to see that you have been duly credited with all your deposits, and debited with the amounts for which you have drawn cheques. Money can only be withdrawn from a Commercial Bank by means of a—

**CHEQUE**, which is a stamped order made by the Drawer thereof upon a banker (known as the

58. A cheque may be drawn to be made payable either to **Bearer** or to **Order**.

A cheque payable to **BEARER** is, as its name implies, payable to the holder or possessor, or bearer of it; that is, anyone who may *present* it at the Bank. Bearer cheques do not require *endorsing*. A cheque payable to **ORDER** is the most common kind, and always requires to be endorsed by the person to whom it is made payable before the banker will cash it.

59. **ENDORsing** is the act of a person to whom a cheque is made payable, signing his name across the back of it, at the perforated end. A Banker is *not* liable if he pays a cheque with a forged endorsement. A form of receipt to be signed by the payee is sometimes printed at the foot or on the back of a cheque; and when the amount is for £2 and upwards a twopenny receipt stamp must be affixed.

60. **PRESENTING** a cheque is the taking of it to the Bank named on the face of the cheque, and requesting cash for the amount specified thereon. It sometimes happens, however, that where a customer has not sufficient money in the bank to meet a cheque, the banker refuses to cash the same, returning it marked R/D (Refer to drawer) or N/S (Not sufficient funds), in which case the cheque is said to be *dishonoured*. After a cheque has been refused, which exceeded the customer's balance, smaller cheques may still be paid when presented. In Scotland, however, it is not so; presentation of a cheque there establishing a lien on the balance in favour of the holder of the cheque. The remedy or right of action of the payee in respect of a dishonoured cheque is against the drawer and not the banker. On receipt of information from your banker that a cheque is dishonoured you must write to the person from whom you received it demanding immediate cash. The Journal entry would be *A Person Dr. To Bank*. In practical work enter the name of the debtor on the Cr. side of the Cash Book, placing the amount of the cheque in the Bank Column, and posting it to the debit of the debtor. A marked cheque is one

that has been initialled by the banker upon whom it is drawn, thus indicating that he has sufficient funds with which to meet the cheque at the first " clearing " of the following day.

61. The phrase **OR ORDER** which follows the name of the person to whom a cheque is made payable, means that such person may, by endorsing it, *order* or *authorise* anyone else to receive the money. Therefore an **order** cheque is not negotiable until it is endorsed; but a **bearer** cheque is negotiable *without* endorsement. If the words *order* or *bearer* were omitted, or struck out, it would not restrict the negotiation of the cheque, which would be treated as an **order** cheque and require endorsement as such.

62. A CROSSED CHEQUE is one on which (a) two parallel transverse lines are drawn across the face with or without & Co., Not Negotiable, Under Fifty Pounds, &c., or the name of a banking firm written between them, as Beckett & Co., or Union Bank; (b) the name of a banker, merely, is written across, without the parallel lines.

### **General Crossings.**

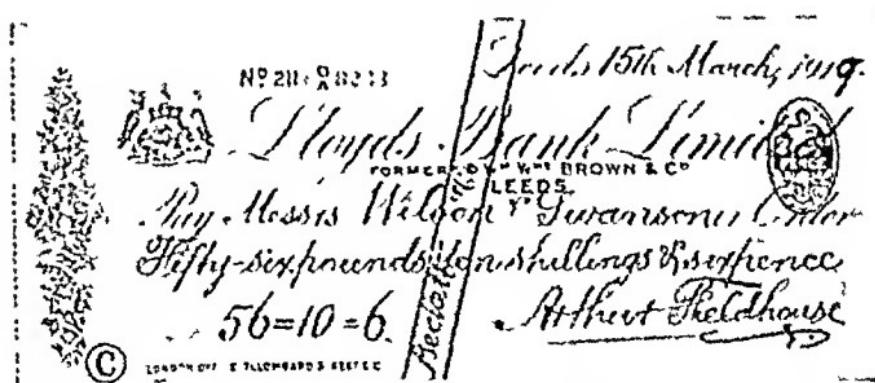
### **Special Crossings.**

<u>Burclay &amp; Co., York</u>
<u>Burclay &amp; Co., York</u>
<u>Burclay &amp; Co., York</u>

The general effect of this crossing is that you cannot obtain cash for the cheque on presentation at the counter of the Bank upon which it is drawn; but must simply pay or hand over the cheque to your banker, who will collect the amount from the banker named on the cheque, and credit your banking a/c. with the amount. Therefore the ordinary or general crossing of a cheque is equal to writing across it *payable through a bank only*; while writing across it the name of a bank is

equal to saying to your banker *pay through this bank only*. The latter method is called a special crossing. In the following example the Lloyds Bank, Limited, would be compelled to pay the £56 10s. 6d. to Beckett & Co., as the crossing specially directs it. When cheques are to be sent by post they should always be crossed. If, when drawing a cheque, you should cross it by mistake, you may open it, i.e., cancel the crossing by writing across the cheque *Pay Cash*, and adding your signature. A person receiving a crossed cheque, who has no banking a/c., must either hand it over to a person who has a banking a/c. or lodge it at a bank for collection and call in a few days for the cash. In the latter case a small commission would be charged. A cheque which is not crossed is sometimes spoken of as an *open cheque*. Should you wish to draw a cheque so that none but the payee may obtain the cash, it would be necessary not only to *specially cross* it and mark it *not negotiable*, but also to strike out *or order* and insert *only*, which alteration would require initialling. A blank cheque is one signed by the drawer without the amount being filled in. Such a cheque is sometimes sent in payment of goods, the exact cost of which is only known to the payee, who fills in the amount.

#### SPECIALLY CROSSED CHEQUE.



63. In practice there are four essentials in filling up a cheque form.

1. The date should always be that

the cheque is actually drawn or made out, although it is not invalid by reason only that it is *undated*, *antedated* (dated *before* the true time), or *post-dated* (dated *after* the true time), or that it bears date on a Sunday. An undated cheque would be refused by the banker and marked *Incomplete*. Post-dated cheques cannot be cashed until the arrival of the day named thereon, and those dated on a Sunday cannot be cashed until the following business day.

2. The name of the payee, that is the person to whom it is made payable, must be clearly and boldly written. When withdrawing money from the bank for yourself the word *Self* or *Selves* must be written in the place provided for the name of the payee.

3. The amount must be clearly stated in words in the body of the cheque, and in figures at the left-hand bottom corner. It is named twice to save uncertainty, and as a precaution against fraud. Although the banker is bound in law by the words it is the *practice* to return a cheque in which the words and figures do not agree, marked amounts differ. Where figures only are given the cheque would be returned marked *Incomplete*. Should the amount be altered it must be initialled by the drawer, otherwise payment will be refused.

4. The signature of the drawer or payer must be clearly written at the foot of the cheque. When an officer of a company draws a cheque he should sign as follows :—*Per pro. Leeds Steel Co., Ltd.,*

*James Day, Manager.*

Before tearing the cheque out of the book you should enter on the Counterfoil at least four items :—Date; name of payee; what the payment is for; and the amount.

64. A Banker is his customer's debtor when the balance of the a/c. is in the customer's favour, and an ordinary cheque on a banker is a Bill of Exchange payable on demand, directing the banker (the drawee) to pay money to some payee. The authority of a banker to pay a cheque drawn on him by his customer is determined or rendered void by—(1) Countermand or

stopping of payment by the customer in writing. (2) Notice of customer's death. (3) Notice of customer's bankruptcy. (4) The operation of a Garnishee Order.

Although the drawer is liable for six years on a cheque, a banker would probably refuse to cash a cheque six months old as stale. The holder of a cheque should pay it into the bank not later than the day after he has received it, as if retained longer he runs the risk of the bank failing, in which case he becomes the banker's creditor. Where a cheque has been torn in pieces and pasted together the bank would generally return it, marked *Cheque mutilated*.

A banker is bound to know his customer's handwriting as drawer, and if a banker pays a cheque on which the drawer's name is forged, the loss falls on the banker. The same rule applies if the body of a cheque be in part forged, as in a case of a cheque for *Six Pounds*, £6, which might easily be altered to *Sixty*, £60, but not if so carelessly drawn as to facilitate or invite fraud.

If a banker disobeys the crossing (that is, if he pays a crossed cheque across the counter, or a specially crossed cheque to the wrong banker), he is liable to the true owner of the cheque for any damage he may sustain through such payment.

**65.** When a crossed cheque is marked *Not negotiable*, it means that the receiver shall not have, and shall not be capable of giving, a better title to the cheque than had the person from whom he took it. If the person who transfers the cheque had a good title, the taker is safe; otherwise, though he presents the cheque and gets the money, he may have to refund it. These two words do not prevent transfer of a cheque, but merely constitute a caution addressed to the receiver or transferee and really mean—**Beware of the Transferor**—the person handing you the cheque. If you accepted such a cheque from a stranger in return for some goods, and on presentation it was found that the stranger had stolen it, you, although innocent, would lose the value thereof, which would be restored to its

lawful owner, who is protected from loss by these two words. The banker on whom the cheque is drawn may pay it to any banker who presents it if crossed generally, or to the banker named if it be crossed specially, and the banker who receives the money may pay it to his customer, and neither banker, if he has acted in good faith and without negligence, will be liable to refund the money. The words *not negotiable* themselves do *not* constitute a crossing, but are usually *part* of a crossing.

**66. How are CHEQUES entered in the JOURNAL?**

- a. All cheques received by you must be treated as ordinary cash receipts, and therefore debited against the Cash A/c., and credited to the person or a/c. paying them to you. You will place them in your cash-box, and when balancing will reckon them along with the notes and silver as part of your balance.
- b. Some merchants make a practice of endorsing and paying away cheques which they have received from their customers to others, to whom they are indebted; in which case the person to whom it is paid is debited and Cash A/c. credited. For instance, you receive a cheque from E. Hart for £28 (which you debit to cash) and hand it on to your Creditor, G. Allen. The Journal entry on remitting to Allen would be—  
*G. Allen...Dr. £28. To Cash - £28.*
- c. If you draw a cheque in favour of a merchant from your own cheque book your Cash A/c. is *not* affected thereby, because the merchant would present and obtain the cash for the cheque from your banker. Therefore you would debit the merchant and credit the Bank A/c., not the Office Cash A/c. When you require cash for the office use you draw a cheque in favour of *Self*. This is called *drawing cheque for cash*, and would be journalised thus:—  
*Cash Dr. To Bank.*
- d. At least thrice a week a merchant should pay his surplus cheques, &c., into the bank, the entry

for this transaction being *Bank Dr. To Cash*. The cash is handed to the banker's cashier or teller, accompanied by a paying-in-slip, or—

**67. CREDIT SLIP,** upon which is entered the amount of the bills, cheques, notes, and coin; the total thereof being credited to the payer by the banker. The advantage of the use of this slip is that it can be referred to in case there should arise any dispute as to the amount intended to be paid in. Most Credit Slips have Counterfoils attached to them, in which case you would enter the particulars on the Counterfoil for reference. Most customers get the Counterfoil initialled by the banker's clerk, while others require the amount to be entered in the Pass Book. Credit Slips and Cheques form the basis of the Slip System of Book-keeping used in all banks.

## To the Yorkshire Banking Company, Limited.

Bank of England Notes .....	100		2nd March, 1910.
Country Notes .....	29		
£1 Treasury Notes .....	49		
10s. Treasury Notes .....	13		
Gold .....	10		
Silver and Copper .....	12		<i>Credit the Current Account of</i> <i>Self.....</i>
Total Cash .....	122		
Local Cheques and P.O.'s .....	83 40		<i>with the sum of £959 : 10 : -</i>
Country Cheques .....	254 37 6		
London Cheques .....	119 2 6		<i>paid in by</i>
Bills .....	500		
Total £ .....	929 16		<i>ALBERT PUPIL.</i>

**68. CASH** not only includes the current Coins of the realm, Treasury Notes, Cheques, M.O. and P.O., but also **BANK NOTES**, which are promissory notes on some bank, payable to bearer on demand. Those banks privileged to issue notes are known as Banks of Issue. Very few of these issue-notes of a greater value than £5. The only bank issuing notes of a greater value than £100 is the Bank of England, which is the

largest banking concern in the world. The Bank, as it is called, issues notes for £5, £10, £20, £50, £100, £500, and £1,000. In Scotland and Ireland £1 bank notes are common.

However useful and convenient cheques may be, they are not *legal tender*, and they cannot at all times take the place of coin. For instance, if you make a purchase at a sale by auction, where you are unknown, the Auctioneer would not accept a mere cheque in payment of your indebtedness. He would however, readily take any number of Bank of England notes, as they represent gold. The advantage of Treasury and Bank Notes over large amounts of coin is evident, particularly when it is remembered that 1,000 sovereigns weigh over 21 lbs. troy.

Notes issued by any bank other than the Bank of England are called *Country Notes*, in order to distinguish them from the *Bank Notes* issued by the Bank of England, which enjoys the exclusive privilege of issuing notes in London and for many miles around.

**69. COMBINATIONS** in Journalising are indicated by asterisks or stars.\* It frequently happens that transactions of a similar nature occur on the same date, in which case they should be combined in order to reduce the number of entries and postings. For instance, all the three transactions on March 5th, in the next exercise are in respect of goods sold. Instead of journalising each item separately, and writing *To Goods* three times, you may combine them, as shown below, thus saving two entries and posting ~~for~~ goods:

March 5.	Henry Hoole	Dr	£2 7	V.C.L
	George Grace	"	19	11
	Lduin Hart	"	27 10	20
	<i>To Goods</i>			
March 12.	Goods .....	Dr.	£29 9	12
	<i>To George Aher</i> .....			11
	" Cassell & Co .....			11
	" Cash ... ..		3	--

When posting the combined sum of £48 17/- to the Goods A/c. in the Ledger, you cannot say *By Hoole, Grace and Hart*, but must use the word—

S.U. CENT. LIB. UDAIPUR

70. **Sundries**, which denotes *more than one a/c.* This word is generally employed when posting an amount made up of more than one item.

### Exercise 21.

Journalise the following transactions of Albert Pupil, whose Ledger balances on 1st March, stood thus :—

1907.		Dr.	Cr.
Mar. 1.	Cash .....	Dr. 401 19 2	
	Goods .....	,, 175 - -	
	Thomas Gee .....	,, 30 - -	
	Henry Hoole .....	,, 3 7 -	
	Field & Co. ....	8 16 .	
	George Allen .....	11 8 -	
	Cassell & Co. ....	14 12 .	
	Capital .....	<u>575 10 2</u>	
		£610 6 2	£610 6 2

#### Transactions.

Mar. 2.	Paid into Bank (par. 66d) .....	£ s. d.
„ 3.	Bought Goods of Cassell & Co. ....	390 - -
„ 4.	Paid Cash for Cheque Book (Trade Exs.) ..	25 - -
„ 5. *	Sold Henry Hoole, Goods (par. 69) .....	8 4
„ 5. *	“ George Grace, Goods .....	2 7 -
„ 5. *	“ Edwin Hart, Goods .....	19 - -
„ 6.	Sent Cassell & Co. crossed cheque (par. 66c)	27 10 -
„ 8.	Bought of Cassell & Co., Goods .....	39 12 -
„ 9.	Received Cheque from Edwin Hart (66a) ..	45 - -
„ 11.	Sold Goods to Edwin Hart .....	28 - -
„ 12. *	Bought Goods of George Allen (par. 69) .....	34 - -
„ 12. *	“ Cassell & Co. ....	16 2 -
„ 12. *	“ for Cash .....	10 - -
„ 13.	Sold Goods for Cheque (par. 66a) .....	3 7 -
„ 13.	Paid Wages in Cash (Trade Exs.) .....	5 - -
„ 15.	Sent Cheque recd. from E. Hart to G. Allen (66b) .....	4 - -
„ 16.	Received crossed cheque from Henry Hoole	28 - -
„ 17.	Paid into Bank .....	5 14 -
„ 18. *	Sent Cassell & Co., a cheque (par. 69) .....	10 14 -
„ 18. *	“ Thomas Gee a cheque .....	45 - -
„ 20.	Drew Cheque for Cash (par. 66c) .....	15 - -
„ 22.	Sold George Grace, Goods .....	15 - -
„ 24.	Bought of Field & Co., Goods .....	10 - -
„ 26.	Sent Cheque to Field & Co. ....	8 16 -
„ 28.	Received Cheque from Thomas Gee .....	45 - -
„ 30.	Paid Rent by cheque (Trade Exs.) .....	10 - -
„ 30.	“ for Gas by cheque (Trade Exs.) .....	8 - -
„ 31.	Cash Sales during month (par. 53c) .....	1 - -

Post. Make T/B. Value of Stock £196. 11

## Exercise 22.

Journalise; Post; make T/B.; close a/cs. and draw B/S.

	£ s. d.
1907.	
Apl. 1. The Cashier had in hand (par. 39) .....	2000 - -
" 2. Paid to Bank (par. 66d) .....	1950 - -
" 3. Bought from Prince & Co., 500 yards Cloth... 190	- -
" 4. Received from Coop & Co., 320 yards Cloth... 40	- -
" 4. Received from Bank (par. 66c) .....	40 - -
" 4. Paid Coop & Co., 4 £10 notes (Cash) .....	40 - -
" 5. Sold George Webb, 120 yards Cloth .....	30 4 8
" 6. Received from George Webb, 2 £5 notes (Cash) 10	- -
" 6. Bought from Coop & Co., Silk ... £145	- -
	Satin... 72 17 6—217 17 6
" 8. Paid Fire Insce. Premium by cheque (T/E) 4 10	- -
" 9. Forwarded G. Webb, Velvets, £30, Satin, £29 6	59 6 -
" 10. Bought for Cash, Silk .....	12 10 -
" 11. Paid to Bank .....	20 - -
" 11. Received from Dodd & Co., Cheque (66a) .....	10 - -
" 12. Bought from George Webb, 300 yards Cloth... 66	- -
" 14. Sent Dodd & Co., Silks, £38, Cloth, £16 .....	54 - -
" 15. Sold Goods for Cash .....	14 10 6
" 16. Bought from Coop & Co., Goods .....	20 - -
" 19. Bought from James Land-Merino... £37 10	- -
	Stuff... 177 10—215 - -
" 23. Paid Borough Rate by Cheque (T/E.) .....	5 5 -
" 26. Cash Sales (par. 53c) .. . .... .. ....	400 - -
" 30. Paid into Bank .. . .... .. ....	350 - -
" 30. Paid Salary with £10 note, Cash (T/E.) .....	10 - -
" 30. Paid Sundry Trade Expenses in Cash .....	25 - -
<i>Value of Goods unsold, £399 10s. 0d. (See page 111).</i>	

71. **INTEREST** is the premium or sum paid by a borrower for the use of money, and is usually charged at so much per cent. per annum. It is also the produce of employed capital. For example, in Ex. 23 you will find that the Capital invested is £700. It will be clear that had your business borrowed this £700 from a money lender you would have had to pay the interest thereon. And likewise when you employ your money in your own business it must be treated as a loan to the business, and interest charged by you in respect thereof, as though it were lent to you by someone else, or invested in some security. Interest on Capital, whether your own—the trader's—or borrowed Capital, is a charge against or a loss to the business, and an allowance or gain to the lender; hence, journalise thus:

*May 31. Interest A/c.. Dr. £2 15 -  
To Capital A/c. (or Lender's A/c.) ..£2 15 -*

**72. BANK CHARGES** include interest on overdrafts, commission on cheques and drafts, charges for cheque books, postages, and for collecting cheques payable abroad. While all Banks charge interest on overdrawn A/cs., most of them also allow interest on the minimum monthly balance of the Current A/cs. of their customers. The Commission charged by Banks to their customers for cashing cheques drawn by them varies from 1/6 to 2/6 per cent. It is customary for Banks to balance their books every half-year, when the Pass Books are also balanced and ruled off. When an a/c. is **overdrawn** (that is where the customer owes a balance to the bank) an entry will appear on the Dr. side of the Pass Book (in provincial banks) for *Bank Charges*, to cover the interest on the amount owing, and commission, &c. This amount may be debited to the *Trade Exs. A/c.* and credited to the Bank. On the other hand, when you have a balance at the Bank you will find **Interest** added to the Cr. side of the Pass Book, in which case you would journalise as follows :—

*June 30. Bank. ....Dr. £3 5 -  
To Interest A/c.....£3 5 -*

or enter on the Dr. side of the Cash Book :—

*June 30. To Bank Interest ... £3 5 -*

**73. DISCOUNT** is an abatement or allowance made upon the payment of a sum of money, and usually takes the form of a percentage deduction. Thus, if you purchase goods value £10, and the invoice states  $2\frac{1}{2}\%$  *in 30 days*, it means that the seller will accept any time *within* 30 days from the date of the invoice, the sum of £9 15 - in discharge, thereby allowing 5/- for discount. There are two forms of commercial discount. (a) **Cash Discount** is an allowance made on the *prompt payment* of a debt, or before it is due, or for payment within a given period, as illustrated above. The price paid for the advantages of Ready Money. (b) **Trade**

discount is an allowance (usually specified on the invoice) made by wholesale merchants to retail dealers (irrespective of time), varying from  $2\frac{1}{2}$  to 95%, in accordance with the custom of each particular trade. Trade discount is usually deducted in the Purchases or Sales Books, and the *net* amount only posted to the ledger a/cs.

Discount allowed by you, being a *loss*, is debited, while that allowed to you, being a *gain*, is credited to the Discount A/c. Being a deduction from the amount owing, the Discount is always entered *underneath* and in the same column of the Journal as the Cash, thus:—

May 10.	Cash .....	Dr. £30 - -	
	Discount A/c. ....	" 16 -	
	To Arthur Carr . . . .		30 16 -
,, 15.	Penn & Co. ...	Dr. £105 - -	
	To Bank .....		100 - -
	,, Discount A/c. . . .		5 - -

Dr. (Ex. 23).	Arthur Carr.	Cr.
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1907		£ s d	1907		£ s d
May 4	To Goods .....	30 16 -	May 10	By Cash .....	30 - -
,, 12	" do. ....	24 15 -	" "	Discount .....	- 16 -
			" 31	,, Balance c/d .....	24 15 -
		£ 55 11 -			£ 55 11 -
June 1	To Balance .. b/d	24 15 -			

Dr. (Ex. 23).	Penn & Co.	Cr.
---------------	------------	-----

1907		£ s. d.	1907		£ s. d.
May 15	To Bank .....	100 - -	May 1	By Balance .....	57 18 -
" "	Discount .....	5 - -	" 15	" Goods .....	56 16 -
" 31	,, Balance c/d .....	9 14 -			
		£ 111 14 -			£ 114 11 -
			June 1	By Balance .. b/d	9 14 -

Dr. (Ex. 23).	My Discount A/c.	Cr.
---------------	------------------	-----

1907	Allowed by me.	£ s. d.	1907	Allowed to me.	£ s. d.
May 10	To A. Carr.....	- 16 -	May 15	By Penn & Co.....	5 - -
" 29	" W. Fell.....	- 5 -			
" 31	,, Transfer to P. & L. A/c.	8 19 -			
		£ 5 - -			£ 5 - -

On balancing the Ledger transfer the *differences* of the Interest and Discount A/cs. to the P. & L. A/c., and enter—To or By Interest A/c. or Discount A/c.

## Exercise 23.

Journalise, post, make T.B.; close a/cs. and prepare B/S.  
1907.

	£ s. d.	£ s. d.
May 1. Cash in hand ( <i>N.B. at foot of page</i> )	39 10 -	
Bank .....	332 8 -	
Goods valued at .....	350 10 -	
Thomas Aller owes me .....	35 10 -	757 18 -
I owe Penn & Co. .....	57 18 -	

*Transactions:*

,, 4. *Sold Goods to Arthur Carr .....	30 16 -
,, 4. *                                Thomas Aller .....	45 12 -
,, 5. Received Cash for Goods .....	37 7 6
,, 5. Paid Cash into Bank ... .	70 - -
,, 10. Recd. from Arthur Carr, Cash (73) £30 - -	
And I have allowed him Discount - 16 -	30 16 -
,, 11. Withdrew from Bank ... . . . .	10 - -
,, 12. Thomas Aller paid into my Banking A/c. ...	50 - -
,, 12. Paid Cheque for Goods .....	67 10 -
,, 12. *Sold Arthur Carr, Goods .....	24 15 -
,, 12. *                                Walter Fell, Goods . . . .	48 5 -
,, 14. Paid for Stationery (Trade Expenses) .....	4 16 -
,, 15. Bought of Penn & Co., Goods .....	56 16 -
,, 15. Paid Penn & Co., Cheque (73) ...£100 - -	
And they allowed me Discount .. . 5 - -	105 - -
,, 15. Received from Walter Fell, Bank Notes .....	40 - -
,, 20. Cash Sales (par. 53c) . . . .	36 12 6
,, 29. Received M.O. from Walter Fell (73) £8 - -	
And I allowed him Discount .. . - 5 -	8 5 -
,, 30. Paid Rent of Warehouse by Cheque(TradeExs.)	20 - -
,, 30. Paid into Bank .. . . . .	75 - -
,, 31. Paid Sundry Trade Expenses for month ...	7 17 6
,, 31. Paid Wages in Cash (Trade Expenses) .....	4 10 -
,, 31. Interest on Capital (par. 71) ... . . . .	2 15 -
<i>Value of Stock, £310. (Bal. of Office Cash, £39 6s. 6d.; Bank, £329 18s. -).</i>	

**N.B.—(a)** In the opening entries the amount of the Capital is not given. It may be easily ascertained by deducting the only liability of Penn & Co. of £57 18s. 0d. from the total of the four items of assets £757 18s. (See par. 28). Journalise the opening or starting entries thus:

	Dr.	Cr.
May 1. Cash .....	Dr. 39 10 -	
Bank .....	, 332 8 -	
Goods .....	, 350 10 -	
Thomas Aller .....	, 35 10 -	
To Penn & Co. ....		57 18 -
,, Capital .....		700 - -
		<u>£757 18 - 757 18</u>

**74. BAD DEBTS.** (Also par. 95a. p. 85.) During the course of your business career you will no doubt meet with customers who will purchase goods and fail to pay for them. Some of these will become insolvent and bankrupt, while others will abscond or run away. From the former you may receive a composition or dividend upon the amount owing; but from the latter a total loss will be likely to accrue. The result in either case is a bad debt, which may be defined as a debt receivable, that is sure to result in either a partial or a total loss. When you sustain a loss of this character, it must be *written off*, and a **Bad Debts A/c.** must be opened, to which the amount lost must be debited. Like discount, the amount of the bad debt is *always* entered *underneath* and in the *same column* of the Journal as the *Cash* received. For instance, "Received cheque for Debt of C. Bond, being first and final dividend of 10/- in the £ on £70," would be journalised thus:—

June 4. <i>Cash</i>	.....	.....	.....	<i>Dr. £35</i>
<i>Bad Debts A/c.</i>	.....	.....	.....	<i>„ £35</i>
<i>To Charles Bond</i>	.....	.....	.....	<i>£70</i>

It is clear that if you merely credited Bond with the Cash, his a/c. would show an asset of £35, which would not be the fact, as you have accepted that sum in discharge of the £70, therefore Bond is legally relieved of future liability in respect of his debt, and his a/c. must be closed by being credited with the full amount. (See page 85).

Whenever you are made aware that one of your debtors has died or absconded and left no assets behind, or has become bankrupt, and his assets are insufficient to cover the expenses attending the bankruptcy proceedings, or when a debt receivable has become statute barred, through absence of acknowledgment for six years, you must at once debit the *Bad Debts A/c.* and credit the debtor with the full amount.

Should you be surprised one day by receiving an amount previously written off as bad or irrecoverable, you would credit the *Bad Debts A/c.* therewith.

On balancing the Ledger, the difference of the Bad Debts A/c., which is merely a sub-division of and subsidiary to the P. & L. A/c., must be transferred to the latter A/c., and entered To Bad Debts A/c., £95.

Dr.	Bad Debts A/c. (Ex. 24).	Cr.
1907		
June 4	To C. Bond 10/- ..	£   s   d
" 27	" Stocks & Co. 18/4	85   -   -
		60   -   -
		£   s   d
		£   s   d

Dr.	Charles Bond, Dock Street, Hull.	Cr.
1907		
June 1	To Balance ..... b/d	£   s   d
		70   -   -
		£   s   d
		£   s   d

**75. CHARGES ON GOODS.** The purchase and sale of goods generally necessitates their conveyance from one place to another, and sometimes their lodgement in warehouses, and on docks or wharves. All charges for or in respect of the conveyance or warehousing of goods increase the cost and must be debited to a Carriage A/c., the total of which must be carried to the Trading or P. & L. A/c. when balancing. The payment of carriage should be recorded in the Cash Book, thus :—

June 15. By Carriage.....£18 10s.

**76. PETTY CASH** is a sum of money allotted for the payment of small and trivial expenses; such as Postage Stamps, Carriage on Parcels, String, Newspapers, Stationery, Travelling Expenses, Subscriptions, Time Tables, Gratuities, Matches, &c. An advance is made from the General Cash to Petty Cash A/c., the latter being debited and the former credited. The balance of Petty Cash is, of course, an asset. The Petty Cash Book is usually kept by a junior clerk, in which he records, in a convenient form for combined posting, the numerous small expenses above mentioned. The method generally adopted is that known as the Imprest System, whereby an even, fixed sum is advanced by the Cashier to the Petty Cash Keeper, the total of his petty payments being refunded to him at the

end of the month, thus leaving him with the same fixed or *imprest amount in hand*, for the petty expenses of the following month. The Petty Cash Book therefore only needs one side, seeing that it is Dr. for a fixed amount. In small businesses the total of each month's disbursements is debited to the Trade Exs. A/c., while in larger concerns the items are analysed either by tabular columns or otherwise, and carried to their respective a/es. in the Ledger, on balancing the books. The six analytical columns in the example given in the appendix may, of course, be dispensed with.

In working exercises, a solitary P.C. payment may be journalised thus :—June 30, *Trade Expenses Dr. To Petty Cash, £4 7s. 10d.*, this being posted to a Petty Cash A/c. in the Ledger. When there are several items the more practical method of keeping a Petty Cash Book should be adopted, which, of course, dispenses with the necessity of keeping an ordinary Ledger A/c.

Petty Cash Book. (Ex. 23).		
Dr.		Cr.
£ s. d.	1907	£ s. d.
5 - -	June 1 To Cash .....	
	.. 30 By Sundry Trade Expenses.....	4 7 10
	.. 30 .. Balance .....	c/f 12 2
£5 - -	1	£5 - -

#### Exercise 24.

(These opening entries are shown on page 95.)

Liabilities : 1st June, 1907.	£ s.	Assets . . . . .	£ s.
Due to William Smith 133 -		Cash at Bank .....	1237 10
Do. Walter Rudd.. 165 -		Do. Office .....	53 10
Do. Martin Kidd.. 209 -		Goods valued at .....	755 -
Do. John Ball 59 15		Due from Alfred Wells 123 15	
Albert Pupil's Capital 1850 -		Do. Stocks & Co. 79 -	
		Do. Charles Bond 70 -	
		Do. Henry Bell.. 100 -	
June 1. Advanced for Petty Cash ( <i>By Petty Cash</i> ) .....	£5		
,, 2. Sold Alfred Wells, Goods for Cash .....	125		
,, 2. Paid Walter Rudd, cheque £161 2/-, Dis. 18/- ..	165		
,, 2. Paid into Bank .....	100		
,, 2. Remitted William Smith on a/c. by cheque (N.B.c.)	100		
,, 4. Received Cheque for Debt of C. Bond, being first and final dividend of 10/- in the £ on £70 (74) ..	35		
,, 5. *Sold Caleb Brett, Goods .....	90		
,, 5. *Sold Alfred Wells, Goods .....	43		
,, 6. *Received cheque from Alfred Wells ... ..	100		
,, 6. * Do. do. Henry Bell ..	59		

June 7.	Paid cheques received into Bank (66d) .....	£150	.	.
„ 9.	Bought of Martin Kidd, Goods .....	550	.	.
„ 9.	Remitted (sent) him cheque on a/c. ....	200	.	.
„ 11.	Sold Henry Bell, Goods .....	78 10	.	.
„ 12.	Sold goods for cheque, paid it bank to-day <i>(N.B.d.)</i> .....	93	.	.
„ 14.	Drew cheque on bank for cash (66c) .....	50	.	.
„ 15.	Paid Carriage A/c. in cash (75) .....	18 10	.	.
„ 17.	Paid Cash for Repairs .....	17 15	.	.
„ 18.	Sold Stocks & Co., goods for cash ( <i>N.B.a</i> )... And on credit .....	160	.	.
„ 20.	Bought of John Ball, goods .....	20	5	.
„ 23.	Bought goods for cheque £300, for cash £20	320	.	.
„ 24.	Paid rent by crossed cheque .....	40	.	.
„ 24.	Received from Alfred Wells, cheque £60 Discount allowed by me .....	101	.	.
„ 25.	Sent J. Ball cheque in settlement £76, Dis £4	80	.	.
„ 27.	Received from Stocks & Co., a composition of 13/4 in the £ in discharge of debt £180(74)	120	.	.
„ 29.	Paid into Bank .....	310	.	.
„ 30.	Cash Sales during month (53c) .....	317 10	.	.
„ 30.	*Paid Trade Expenses by cash .....	24 6	.	.
„ 30.	* Do. do. petty cash (76) .....	4 7 10	.	.
„ 30.	Due to Midland Railway Co. for Carriage <i>(N.B.b)</i> .....	23 4 5	.	.
„ 30.	Interest credited to my a/c. at Bank (72) ...	3 5	.	.
„ 30.	Interest on Capital (71) .....	7 14	.	.

*Value of Goods.* £990. (*Bal. of Office Cash*, £425 9s.; *Bank*, £963 13s.).

N.B.—(a) In Journalising debit Cash £160, Stocks & Co. £101.  
To Goods £261. In practical work put total in Sales Book.

(b) This amount is not paid but merely *due*, therefore journalise *Carriage A/c. Dr. To Midland Rly. Co.*

(c) "On a/c." means "in part payment of a larger sum."

(d) When a cheque is received and paid into Bank same day the Bank should be debited and *not* Office Cash.

77. **PARTNERSHIP** is the relation which subsists between persons, known as a firm, jointly carrying on business in common with a view to the acquisition of gain. The combination of two or more (not exceeding twenty) persons called Partners, to carry on any business or trade, each sharing the profits and losses as may be previously arranged. The chief advantages of a partnership are union of capital and union of different qualities. Although not absolutely necessary, it is

customary and expedient for partners to have prepared by a Solicitor and to sign a stamped Agreement known as *Articles of Partnership*, setting forth the terms arranged between them. The death or bankruptcy of any ordinary or general partner dissolves the partnership unless otherwise stipulated by an agreement. In a **Limited Partnership**, which must be registered, there must be one or more *general* partners liable for all the debts of the partnership, and one or more *limited* partners, who are liable for such debts to a stated amount only.

An a/c. should be opened for each partner's capital : the entry for the first item in the next exercise being :—

*July 1. Cash .....* Dr. £2,000.  
*To Albert Pupil's Cap. A/c.....* £1,000.  
*,, Leo Pupil's do. ....* £1,000.

In practical work these two amounts would be entered on the Dr. side of the Cash Book, office column.

As the shares of the partners are in this case equal, you will, when closing the P. & L. A/c., share the *Net Profit* equally between them as shown below :—

Dr.	Profit & Loss A/c. (Ex. 25).			Cr.
1907		£	s. d.	
July 31	To Carriage A/c. ....	20	5 .	1907
" "	" Wages A/c. ....	16	- -	By Gross Profit from
" "	" Bad Debts A/c. ....	62	- -	Timber A/c.....
" "	" Interest A/c. ....	6	5 7	
" "	" Discount A/c. ....	3	19 9	
" "	" Trade Exs. A/c. ....	18	5 6	
" "	" Capital A/cs. :—			
	<i>A. Pupil £52 19 7</i>			
	<i>L. Pupil £52 19 7</i>	103	19 2	
		£	232	s. d.
			15 -	
				£ 232 15 -

**78. DRAWINGS OF PARTNERS** are those amounts, or the value of those goods, which are withdrawn by them from the firm for their private use, during the progress of the business, in anticipation of profits. These sums must not be debited to their Capital a/c., but a *subsidiary a/c.* to the Capital a/c., known as a **Drawings A/c.**, for each partner must be opened and debited. The Interest allowed on the capital of each partner (see par. 71), as well as his share of the profit realised or loss sustained, must be placed

to his Capital A/c. unless a Current A/c. is kept, in which case they may be transferred thereto. Partner's Salaries should be debited to the P. & L. A/c. Drawings and Current A/cs. are balanced in the ordinary manner, but being subsidiary to the Capital A/cs., the difference of each must be transferred to the Capital A/c. affected. The items on the 16th July in Ex. 25 would be entered on the Cr. side of the Cash Book in the Bank column, or journalised thus:—

<i>A. Pupil's Drawings A/c.</i>	.....	<i>Dr. £10</i>
<i>L. Pupil's do.</i>	.....	, 10
<i>To Bank</i>	.....	..... £20

If the withdrawals of the partners are *unequal*, interest should be charged thereon, Ex. 42, thus:—

<i>C. Maxey's Drawings A/c.</i>	<i>Dr. £1 6 5</i>
<i>W. Bell's do.</i>	... „ 10 11
<i>To Interest A/c.</i>	..... £1 17 4

Dr.	Albert Pupil's Capital A/c.	Cr.
1907 July 31 To Drawings A/c	£ s d. 20 - -	1907 July 1 By Cash .. ....
" 31 " Balance ... c/d	1037 2 11	" 81 " Interest ...
	£ 1057 2 11	" 31 " Net Profit
		Aug 1 By Balance ..
		b/d 1037 2 11

Dr.	Albert Pupil's Drawings A/c.	Cr.
1907 July 16 To Bank .....	£ s d. 10 - -	1907 July 31 By Transfer to Capital A/c.
" 30 " Do .....	10 - -	
	£ 20 - -	

Dr.	Leo Pupil's Capital A/c.	Cr.
1907 July 31 To Drawings A/c	£ s d. 20 - -	1907 July 1 By Cash .. ....
" 31 " Balance ... c/d	1037 2 11	" 81 " Interest ..
	£ 1057 2 11	" 31 " Net Profit
		Aug 1 By Balance ..
		b/d 1037 2 11

Dr.	Leo Pupil's Drawings A/c.	Cr.
1907 July 16 To Bank .....	£ s d. 10 - -	1907 July 31 By Transfer to Capital A/c.
" 30 " Do .....	10 - -	
	£ 20 - -	

## Balance Sheet of PUPIL BROS., on 31st July, 1907.

Liabilities.	£	s	d	Assets.	£	s	d
Sundry Creditors :—				Cash in hand .....	£29	17	9
Tree & Co. ....	40	-	-	Cash at Bank .....	519	3	7
Capital :—				Petty Cash .....	2	8	6
Albert Pupil ... £1037 2 11							
Leo Pupil ..... £1037 2 11							
	2074	5	10				
				Sundry Debtors :—			
				Benjn. Dean ... £21	-	3	
				Howe & Co. ... 173	10	-	
				Clifford Pears ... 83	-	-	
				Samuel Giles ... 67	10	9	
						335	1
				Stock of Timber .....	290	-	-
				Goodwill.....	200	-	-
						£2114	5 10

79. **GOODWILL.** Perseverance and industry are usually successful, and a commercial or professional man who has worked steadily through the weary period of probation finds, sooner or later, that his goods or services are in fairly constant demand. This is seldom due, however, to the number of his promiscuous customers or clients, but rather to the fact that certain persons go to him regularly. These regular customers have confidence in the man, and *goodwill* towards him; and they constitute what has been well called his **connection**, commercial or professional, thus affording him the security of a fairly constant income. The labour and expense by which he has acquired a reputation and gained the good feeling of these persons, would, in the event of his leaving the neighbourhood, be completely lost to him, were it not that experience has shown that in many cases, part of this goodwill may be transferred to another. There are generally to be found persons who are eager to acquire in this way, as it were, a ready made business, and who are willing to pay large sums of money for the opportunity of so doing. Goodwill has been defined as (1) "Nothing more than the chance that the old customers will resort to the old place." (2) "That connection in a trade which induces customers to deal with the persons who carry on the business." (3) "The benefits and advantages accruing from the habitual customers of a successful business." (4)

"The advantage or benefit which is acquired by an establishment beyond the mere value of the capital employed therein, in consequence of the general public patronage and encouragement which it receives from constant or habitual customers on account of its local position, or common celebrity, or reputation for skill or affluence or punctuality, or from other accidental circumstances or necessities, or even from partialities or prejudices."

While Goodwill has a cash value when a business is being sold or a partner admitted, it is not generally available for the discharge of ordinary liabilities, and being therefore of such an uncertain and a precarious character, Goodwill should generally be written off or depreciated by annual instalments until it is extinguished.

The price paid for Goodwill is generally based on the *average net profits*. For instance, a business which has produced an average annual net profit of £100 might be bought at the price of *two years' purchase*, viz.: £200. The price varies from one year's purchase to five, and from the few pounds paid for the Goodwill of a small retail shop to the millions obtained on the flotation of a large limited Company.

In purchasing a business the amount unexpended by the purchaser is called **Working Capital**. In Ex. 25 Pupil Bros. commence business with £2,000, and they purchase from Exley his business for £1,500, thus leaving them £500 with which to *work* the business. In Ex. 25 journalise the purchase of the business thus:

<i>July 1.</i>	<i>Goodwill A/c.</i>	.....	<i>Dr. £200</i>	-	-
	<i>Timber A/c.</i>	.. .. .. .. ..	,, 950	-	-
	<i>Benjamin Dean</i>	..... .. .. .. ..	,, 21 10	3	
	<i>Howe &amp; Co.</i>	..... .. .. .. ..	,, 111 15	2	
	<i>Clifford Pears</i>	..... .. .. .. ..	,, 24 6	7	
	<i>George Peel</i>	..... .. .. .. ..	,, 93	-	-
	<i>Samuel Giles</i>	..... .. .. .. ..	,, 49 8	-	-
	<i>Oliver Helm</i>	..... .. .. .. ..	,, 50	-	-
	<i>To John Exley</i>	.....			<i>£1500</i>

#### Exercise 25.

Albert and Leo Pupil commenced business on the first July, 1907, as Timber Merchants, under the style or firm of Pupil Bros., each with cash £1000. (See par. 77.) (Practical see page 112.)

On the same day they purchased for £1500 in cash the business of John Exley, including the Goodwill, for £200; Stock of Timber for £950, and Book Debts as follows:—Benjn. Dean, £21 10 3; Howe & Co., £111 15 2; Clifford Pears, £24 6 7; George Peel, £93; Samuel Giles, £49 8; Oliver Helm, £50. (See par. 79.)

*Do not forget to record the payment to Exley of £1500 in cash.*

£ s. d.

July 2.	Opened Bank A/c. and deposited .....	450	-	-
" 3.	*Sent Timber to Clifford Pears .....	39 10	-	-
" 3.	* Do. Samuel Giles .....	15 6	9	-
<i>(Use the name Timber A/c. in this Ex. instead of Goods.)</i>				
" 4.	Advanced to Petty Cash (76) ...	10	-	-
" 4.	Rec. cheque from C. Pears £23, Dis. £1 6 7...	24	6	7
" 5.	Bought Timber from Tree & Co. ....	168	10	-
" 5.	Paid Carriage thereon by cheque (75) ... ..	10	7	6
" 5.	Sold Timber for Cash .....	26	4	3
" 5.	Paid into Bank .. ..	50	-	-
" 6.	Sold Timber for cheque .....	78	10	-
" 9.	Remitted Tree & Co., cheque £160, Dis. £8 10	168	10	-
" 11.	Bought of Tree & Co.. Timber ....	146	-	-
" 11.	*Sold Timber to Howe & Co. ....	173	10	-
" 11.	* Do. Benjamin Dean .....	29	10	-
" 11.	* Do. Oliver Helm .....	63	8	-
" 12.	Paid Cheque into Bank (66d)	78	10	-
" 12.	Paid Cash for Carriage of Timber (75) ..	9	17	6
" 13.	Paid Borough Rate in Cash (Trade Exs.) ..	10	9	-
" 14.	Drew Cheque for Cash (66c) ...	20	-	-
" 15.	Rec. cheq. from Howe & Co. £106, Dis. allowed	5	15	2
" 16.	*Albert Pupil drew cheque for private use (78)	10	-	-
" 16.	*Leo Pupil do do	10	-	-
" 16.	Drew cheque for Wages (80) .. ..	8	-	-
" 17.	Indured cheque received from Howe & Co. and sent to Tree & Co. on a/c (66b)	106	-	-
" 19.	George Peel failed and paid into our Banking A/c. a composition of 6/8 in the £ on £93 (74)	31	-	-
" 23.	Recd. cheques (paid into Bank same day) ...	163	-	-
	From *Benjamin Dean on a/c. ....	30	-	-
	*Samuel Giles on a/c. ....	45	-	-
	*Oliver Helm, £108, Dis. £5 8 -	113	8	-
	<i>(Bent Dr. £153, Dis. Dr. £5 8 -)</i>			
" 26.	*Sold Timber to Clifford Pears .. ..	43	10	-
" 26.	* Do. Samuel Giles .. ..	37	16	-
" 29.	Albert and Leo Pupil each drew a cheque for £10 for private use (78) ...	20	-	-
" 30.	Drew cheque for wages (80) .. ..	8	-	-
" 31.	Bank Interest credited (72) .. ..	2	1	1
" 31.	Credit Int. on Cap in each case (71) £3 3 4...	8	6	8
" 31.	Paid Sundry Trade Exs. out of Petty Cash...	716	6	

*Balance of Timber in Yard, £780. (Set of Office Cash.  
£78 17. 9 1/2, Park, £518 2s. 7d.).*

80. A separate Wages A/c. must be opened for Ex. 25. This a/c. is, of course, subsidiary to the P. & L. A/c., and on balancing the books the total of the Wages A/c. must be transferred to the Dr. side of the P. & L. A/c., and entered :—To Wages A/c., £16.

Dr.	Wages A/c. (Ex. 25)	Cr.
1907		
July 16 To Bank ..	£ 8 - -	1907 July 31 By Transfer to
" 30 " Do ..	8 - -	P. & L. A/c 16 - -
	£16 - -	£16 - -

81. PROPERTY or ASSET A/cs. are those which record all your transactions in every description of property, such as goods, mines, buildings, fixtures, furniture, machinery and plant, implements and tools, horses and carts, cattle, ships, stocks and shares, debentures, mortgages, bills of exchange, goodwill, patents, copyright. Like a Goods or Purchases A/c., on purchasing any kind of property you open an a/c. in respect thereof, and debit it with the cost. And on the contrary, when value goes out on the occasion of a sale or a loss, credit the a/c. affected thereby. Should any portion of property remain *unsold* at the time of balancing, the value thereof would represent an asset, and would require including in the Balance Sheet. After insertion of *value on hand* (if any) on the Cr. side, any difference between the two sides of the a/c. would represent either a loss or a gain, and would accordingly need transferring to P. & L. A/c.

Rent, Interest, Dividends, also any other form of income or revenue arising from any description of property must be credited to the proper subsidiary P. & L. A/c., and not to the Property or Asset A/c.

The amount paid for ordinary Repairs, Painting, and other Expenses of either fixed or movable property, being necessary for the maintenance of its value, are charges against income, and must be debited to the proper subsidiary P. & L. A/c. and not to the Property A/c.

The cost of permanent improvements and ad. however, ~~not~~ materially increase the origin.

of the property, such as the erection of an additional wing to a building, a new roof, the paving of a street, the sinking of a new shaft, a new engine or boiler, a new body for a cart, new office furniture, &c., must be debited to the Property A/c. concerned. Nearly all forms of property, even when kept in good repair, are however, subject to—

82. DEPRECIATION, which is a periodical deduction in respect of the diminished value of any form of property caused by wear and tear and antiquity. It will be quite clear to you that buildings, fixtures, machinery, tools, utensils, carts, &c., must waste away and become obsolete, therefore it is only right that their value should be shown to have been reduced by an ample deduction or writing off from their previous value. There are various methods of estimating Depreciation, and of recording alterations in value, but it may be said in regard to any of them that the object in view is so to treat the nominal capital in the books, that it shall always represent as nearly as possible the real value. The best plan is to establish *average rates* which can, without much trouble, be written off every year. Thus, if you contracted for the laying down of an engine, and a boiler at a cost of £500, and depreciated the same at the rate of  $7\frac{1}{2}\%$  annually for 10 years, on the *diminishing value*, or balance of the asset, the result would be that, at the end of ten years, the value would appear in your Ledger at £229. The account below shows the amounts credited in respect of depreciation for the first five years.

Dr.			Engine & Boiler A/c.			Cr.		
1921	£	s. d.	1921	£	s. d.	1921	£	s. d.
Jan. 1 To Cost	600	- -	Dec 31 By Depreciation	37	10	-	By Bal.	462 10 -
1922			1922					
Jan. 1 " Bal.	462	10	Dec 31 "	Do.	84	13	" Do.	427 16 3
1923			1923					
Jan. 1 " Do	427	16	Dec 31 "	Do.	32	1	" Do.	395 14 6
1924			1924					
Jan. 1 " Do.	395	14	Dec 31 "	Do.	29	18	" Do.	866 - 11
1925			1925					
Jan. 1 " Do.	366	- 11	Dec 31 "	Do.	27	9	" Do.	838 11 11
1926								
Jan. 1 " Do.	279	11						

**Journalistic Depreciation** thus :—

April 30. *Depreciation A/c.* Dr. £6.  
To Office Furniture, etc. £6.

On balancing the books the total of the *Depreciation A/c.* should be carried to the Dr. side of the P. & L. A/c. and entered : *To Depreciation A/c.*

Dr.	Depreciation A/c.	Cr.
1921		
Dec. 31	To Engine & Boiler, 7½% £ 87 10/-	1921 By Transfer to P. & L. A/c. £ 116 - .
" "	Machinery, 10% 50 - .	
" "	Office Furniture, 7½% 7 10/-	
" "	Horses & Carts, 10% 20 - .	
	£ 115 - .	£ 115 - .

Dr.	Machinery A/c.	Cr.
1921		
Jan. 1	To Balance ..... £ 500 - .	1921 By Depreciation .. £ 50 - .
		Balance c/d 450 - .
	£ 500 - .	£ 500 - .

The following are some approximate Rates of Depreciation on diminishing values :—

Freehold Dwellinghouses, Warehouses, Factories, and Offices, excluding value of land ...	... .	1½% to 2½%
Factories subject to rough usage ...	... .	2½% to 5%
Wood and Iron Buildings ...	... .	5% to 10%
Fixed Plant ...	... .	5% to 7½%
Stationary Engines and Boilers ...	... .	7½% to 10%
Portable Engines and Boilers ...	... .	10% to 15%
Contractors' Locomotives ...	... .	15% to 20%
Machinery ...	... .	5% to 10%
Furniture and Fixtures ...	... .	7½% to 10%
Horses ...	... .	15% to 25%
Ships ...	... .	5% to 6%
Trucks and Wagons ...	... .	7½% to 10%

83. **A/CS. OF STOCKS AND SHARES** must be kept in the same manner as a Goods A/c., purchases being debited and sales credited. In balancing the a/c. the value of those on hand (which should be the *average market price*) is placed on the credit side like "Value of Goods unsold," and the *difference* between the two sides is carried to the P. & L. A/c. Of course, the balance of stocks or shares unsold is an asset.

## PRACTICAL BOOK-KEEPING.

85. You cannot have failed to notice in working the preceding exercises, that the majority of the transactions consist of :—

- (1) The receipt and payment of Cash.
- (2) The buying and selling of Goods.

While you cannot bestow too much care in obtaining a thorough grasp of the principles of journalising, it is found inconvenient in actual business to journalise every transaction (as in the *Continental System*) and therefore other Journals are brought into use, which, although greatly diminishing the labour entailed in mere journalising, do not interfere with, or in any degree sacrifice, the principle of double entry. By the employment of these subsidiary books, or *Books of Original Entry*, transactions of a similar nature are collected together, hence the number of original entries and Ledger postings is materially reduced; and thus we get what is known as the English System of Book-keeping.

Some of the books required in practical work are :—

1. **Cash Book**, for entering Cash received and paid, whether Office or Bank; also for Discounts.

2. **Purchases Journal or Bought Book**, for entering Goods bought on credit; also purchases for cash, where creditor's name is given.

3. **Sales Journal or Sold Book**, for entering Goods sold on credit, also *sales for cash*, where debtor's name is given, and particularly sales to regular customers.

4. **Journal Proper**, for transactions which cannot be entered in any of the above books; also for adjustments and transfers from one book or a/c. to another.

5. **Ledger**, for abstracting or classifying the contents of the above and other subsidiary books.

In order to be able to work Exercise 26, which is specially designed for illustrating the practical method it will be necessary to read carefully paragraphs 86, 87, 97, 100, 102 only. All the exercises should now be worked practically.

which should represent, exactly, the difference between the two sides of the Cash Book, thus :—

Dr. side of Cash Book .....	£1215 17 -
Cr. side of Cash Book .....	883 9 6
<u>Balance of Cash £332 7 6</u>	

### In Cash Box :—

Cheques .....	£215 - -
Notes .....	98 10 -
Silver .....	10 16 6
P.O. .....	7 19 6
Copper .....	- 1 6 <u>£332 7 6</u>

**88. Posting the Cash Book.** In order to comply with the principle of double entry every item debited to cash must be credited to some other a/c. in the Ledger; and every item credited to cash must be debited to some other a/c. in the Ledger; therefore, the items on the Debit side of the Cash Book must be *posted* to their respective accounts on the opposite or Credit side of the Ledger, thus :—*Date, By Cash, Fol., Amount*; and the items on the Credit side of the Cash Book must be *posted* to their a/cs. on the opposite or Debit side of the Ledger, thus :—*Date, To Cash, Fol., Amount*.

### SINGLE COLUMN CASH BOOK for Exercise 26.

Dr.	CASH.					CONTRA.	Cr.			
		L. F.	£	s.	d.		L. F.	£	s.	d.
1907	Receipts.					1907	Payments.			
		Cr.					Dr.			
Aug. 1	To Capital ...	1000	-	-		Aug. 8	By Goods .....	46	15	-
" 10	" Goods.....	31	1	-		" Wages .....	11	1	-	
" 18	" Ezra Jones	8	14	-		" James Cecil....	78	4	-	
" 14	" Edwin Fox	4	16	-		" Goods .....	57	5	-	
" 17	" Goods.....	43	1	-		" Alfred Scott ..	79	16	-	
" 18	" Ezra Jones	20	-	-		" James Cecil....	160	-	-	
" 22	" Goods.....	45	11	6		" Goods .....	65	15	-	
" 29	" Edwin Fox	9	-	-		" Alfred Scott ..	27	4	-	
" 30	" Goods.....	53	13	0		" Wages .....	9	1	-	
						" James Cecil ...	239	14	-	
						" Goods .....	67	1	6	
						" Rent .....	50	-	-	
						" Trade Expenses	7	13	-	
						" Balance .....	c/d	832	7	6
			£	1215	17	-				
Sept. 1	To Balance ...	b/d	832	7	6		£	1215	17	-

**89. BANK COLUMNS.** As the majority of traders have banking a/cs. and pay most of their creditors by cheques, payable "on demand," it is found economical and convenient to record the Bank transactions in the Cash Book. This is an excellent arrangement, particularly when you remember that what the banker does is simply to conduct some of your cash transactions, therefore it is only proper that the records of *all* cash transactions, whether conducted by yourself or your Banker, should be made in the same book, a Double Column Cash Book.

If you will substitute the word "Bank" for the word "Cash" in par 86 you will find that it is applicable to Bank transactions. See Cash Book for Ex. 21, page 84.

**90.** All payments by cheque must be entered on the Cr. side of the Cash Book, in the **Bank Column**, because the bank pays the money on presentation of the cheque. If you draw a cheque for the purpose of obtaining Cash for the office as in Ex. 21, "March 20, Drew Cheque for Cash, £15," such a transaction will require *two entries*. In the first place it is a *payment by the Bank* of £15, therefore enter on the Cr. side in the **Bank Column**—*By Office*, £15; and in the second place the *Cash-box receives* £15; therefore enter on the Dr. side in the **Office Cash Column**—*To Bank*, £15.

Not only does a payment by the Bank to Office need entering twice in the Cash Book, but also a payment to the Bank by Office. "March 2. Paid into Bank, £390." This requires recording on the Cr. side in the **Office column**—*By Bank*, £390, and on the Dr. side in the **Bank column**—*To Office* £390. The reason why such transactions require entering twice is, of course, in order to carry out the principle of double entry, which in these particular transactions is *completed* in the Cash Book, no posting of these items being necessary.

The imaginary difficulty arising from making both entries in the Cash Book soon vanishes if you will but mentally journalise the transactions thus:—*Cash Dr. To Bank £15 and Bank Dr. To Cash £390.* By adopting this suggestion you perceive at once upon which side and in which column the entry must be made.

91. Cheques received by you will be placed in the Cash-box, and being Cash receipts must be entered in the Dr. Office column. If a single Cheque be paid into Bank the same day as received, then enter it in the Bank column only.

92. **BALANCING BANK COLUMNS.** The debit Bank column should be an exact copy of one side of the Bank Pass Book, and the credit Bank column should be an exact copy of the Cheque side of the Bank Pass Book. An unrepresented or dishonoured cheque would, of course, cause a disagreement between the balance of the two books, as also would Bank Charges or Interest. In the case of the Bank debiting you with Bank Charges you must enter the amount in the Cr. Bank column of the Cash Book—*By Bank Charges*. On the Bank allowing or crediting you with Interest, the entry would be *To Interest £3 5 -* in the Dr. Bank Column.

93. Your Bank Pass Book should always either agree or be made to agree with your Cash Book. If the balances of the two books should disagree a Reconciliation Statement should then be made out as follows :—

Mar. 31.	"Pass Book" Balance	... £277 6 -
	Less cheques not presented .—	
" 30.	A Day—Rent ... ..	£10 - :
" 30.	Leeds Gas Co. ...	8 7 : 18 7 -
		258 19 -
Plus cheques paid in but not yet credited ..		(nil)

Agreeing with your Cash Book ..... £258 19 -

94. **POSTING** Bank Columns. The posting of the items in the Bank Columns is similar to the posting of the items in the Office columns, except that you may enter *To* or *By Bank* instead of *Cash*.

As the Cash and Bank columns take the place of those a/cs. in the General Ledger, and are therefore complete a/cs. in themselves, the *equalising items* between Bank and Office do *not* need to be posted, but should be ticked or marked *Con.* (for *Contra.*) in the Led. Fol. column, so as to facilitate the posting of the remaining entries.

**TWO COLUMN CASH BOOK for Exercise 21.**

81

Dr.	CASH.	CONTRA.									
		Payments made					Payments received				
Date of Receipt,	Ledger Accounts.	Cash Received.			Date of Payment		Ledger Accounts.			Ledger Accounts.	
	Ledger Fol Cr.	At Office.	£	s.	d.	At Bank.	£	s.	d.	£	s.
1907	Receipts.	b/c	401	19	2	390	-			390	-
Mar. 1	To Balance .....	-	28	-	-	"	4			8	4
" 2	Office .....	-	6	-	-	"	6			3	7
" 9	Edwin Hart	-	5	-	-	"	12			4	-
" 13	Goods .....	-	5	-	-	"	13			28	-
" 16	Henry Hoole	-	10	14	-	"	15			10 14	-
" 17	Office .....	-	15	-	-	"	17			45	-
" 20	Bank .....	-	45	-	-	"	18			15	-
" 28	Thomas Gee	-	90	6	6	"	"			15	-
" 31	Goods .....	-				"	"			8	7
						"	"			15 10	6
						"	"			590	19 10
						"	"			10	400
											14 -
											-
April 1	To Balances .....	b/d	151	10	6	258	19	-			

**95. DISCOUNT COLUMNS.** The receipt and payment of Cash is so frequently accompanied with the allowance of discount that it has been found advantageous to keep the Discount A/c. in that section of the Ledger known as the Cash Book, so that the allowance for discount may be entered at the same time, on the same side of the book, and on the same line as the cash entry, but in a different column, thus resulting in the Three Column Cash Book shown on the next page.

Each item of discount must be added to or posted along with its accompanying cash item to the proper Personal A/c. and entered thus : *To or By Cash*, and *To or By Discount*. See Page 51.

The totals of the Discount columns, as shown on page 56, must be carried to the Discount A/c. in the Ledger and balanced as shown below. In large concerns separate a/c.s. are kept in the impersonal ledger for Discounts Received and Discounts Allowed.

	Discount A/c. (Ex. 23)	
Dr.		Cr.
1907		1907
May 31	To Sundry Debtors per Cash Book 1' 1	May 31 By Sundry Creditors per Cash Book 5
"	Transfer to P & L. A/c .. 3 19	
	<hr/> £ 5 -	<hr/> 5

**95a.** When a composition or dividend of so much in the £ is received in discharge of a debt, only the amount actually received must be entered in the Cash Book, and the remainder, being a Bad Debt, must be recorded in the Journal, thus :—

June 1. <i>Bad Debts A/c. ....</i>	<i>Dr. £35</i>
<i>To Charles Bond .....</i>	<i>..... £35</i>

**96.** In some business establishments another narrow column is ruled by the side of the date columns, the one on the Dr. side being used for inserting the number of the counterfoil of the receipt given for the money; and the one on the Cr. side being used for inserting the number of the voucher received in acknowledgment of the payment. Payments to the principals or partners should be initialled by them in the voucher column.

**Three Column CASH BOOK** for Exercise 23.  
*CONTRA.*

## PURCHASES DAY BOOK.

97. This Special Journal or *Book of Original Entry*, is sometimes called the Bought Book, or Invoice Book, from the fact that into it are daily copied (after having been checked and initialled) the invoices which you receive in respect of the goods bought on credit, as well as for cash, where the creditor's name is given. It must record the date of each purchase; the name of the seller; and the quantity, name, class, price, and cost of the goods. A second method is merely to copy the date, name, and amount (entirely omitting all the details), and after numbering the invoice, to place it on a file for future reference, which is an excellent method.

**Trade Discount** must be deducted in the first or details column, and only the net amount of the purchase carried into the second or total column.

It is found useful for purposes of reference to insert the number of the Invoice in a special column ruled by the side of the Led. Fol. Col.

In some business houses, however, instead of using a Purchases Book or file, they prefer to use a **Guard Book**. This is a large Scrap Book made of cartridge paper and folioed, into which all the invoices received are folded, endorsed, and pasted. Money columns run down the right-hand side of each page, into which are extended the totals of the various invoices, thus :—

*Folded Invoice endorsed and pasted in Guard Book.*

2nd August, 1907	James Cecil .....	Led.	Fol. Cr.	£	1	4	.
		Cr.					

98. **POSTING.** All the persons named in your Purchases Book being your creditors, you will therefore post the amounts to the Credit side of their personal a/c's. in the Ledger, and enter the *Date, By Goods, Fol., Amount*. As the total of the Purchases Book represents Goods coming in or purchases, it must be posted monthly to the debit side of the Goods or Purchases A/c. by entering the *Date, To Sundries, P.B., Fol., Amount*.

## PURCHASES BOOK for Exercise 26.

Date.	Particulars.	Led. Fol. Cr.	Details.	Totals.
			£ s d.	£ s d.
1907 Aug. 2	James Cecil. 720 yards Cotton @ 1/1 672 .. Zanella @ 1/2	39 - - 39 4 -	- - - 78 4 -	- - -
" 4	Alfred Scott. 336 yards Satin @ 4/9	- - -	- - -	79 16 -
" 9	James Cecil. 1000 yards Tapestry @ 3/-	- - -	- - -	150 - -
" 17	James Cecil. 1290 yards Shirting @ 2/6 138 .. Cretonne @ 10/6	161 5 - 72 9 -	- - - 233 14 -	- - -
" 19	Alfred Scott. 36 1/2 yards Duster @ 1/5	- - -	- - -	27 4 -
" 27	Alfred Scott. 168 yards Worsted @ 7/- .. .. Satin @ 10/-	58 16 - 42 - -	- - - 100 16 -	- - -
	Goods or Purchases A/c. Dr.	- - -	- - -	£ 669 14 -

99. You will observe that by entering all the credit purchases in a special book, as above, instead of journalising such transactions, a great saving of labour is effected. Had the above six transactions been journalised, six postings to the Goods A/c. in the Ledger would have been necessary, but the total only of a Purchases Book needs posting to the Goods or Trading A/c., as below :—

Dr.	GOODS A/c., Exercise 26.	Cr.	
1907 Aug. 8 To Cash .....	£ 15 -	1907 Aug. 10 By Cash .....	£ 1 -
" 15 " Do .....	£ 15 -	" 15 " Do .....	45 1 -
" 22 " Do .....	£ 21 11 -	" 22 " Do .....	45 11 6
" 22 " Do .....	£ 21 11 -	" 22 " Do .....	52 13 6
" 31 " Do .....	£ 21 11 -	" 31 " Do .....	52 13 6
" 31 " Sodier P.P. /2/14 -	£ 21 11 -	" 31 " Sodier & S.B. /2/14 -	52 13 6
" 31 " Do .....	£ 21 11 -	" 31 " Do (no 3) .. c/d	75 10 10 -
	£ 150 14 -		£ 1010 17 -
Aug. 3 To Payee .....	£ 12 7 12 -		£ 12 7 12 -

## SALES DAY BOOK.

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**100.** This Special Journal or *Book of Original Entry* is called the Day Book, because in it is *daily* recorded particulars of goods sold on credit, as well as for cash, where the debtor's name is given. It must specify the date of sale, the name and address of the buyer, and the quantity, name, class, price, and cost of the goods. Sometimes the method of delivery and any special terms agreed upon are also stated, thus :—*Per L. & Y. Ry.; Carr. pd. 2½ one month.* These particulars are obtained from the *Order Book*, into which they were entered on receipt of the order. While the rulings of the Order Book vary, of course, with the character of the business, the principal columns are :—(1) Date Received (2) Name and Address (3) Description of Goods ordered (4) Price (5) Date sent (6) Description of Goods sent (7) Sales Book Folio.

In some establishments each order is entered upon a separate printed form, and after execution these sheets, which really form part of the Slip System of Book-keeping, are bound into a file which constitutes the Sales Day Book as well as the Order Book, thus effecting a great economy.

The combinations permitted in *journalising*, as shown in par 69, are not adopted in practical work, each transaction being entered separately.

When the details of a sale have been entered in the Sales Book and checked, the invoice should be made out therefrom and forwarded to the purchaser. It is customary in some offices to write invoices in copying ink and retain a copy in the press-copy *Invoice Book*, the number of the page being entered in the S.B. Other firms type their invoices, taking and filing carbon copies, as part of the Slip System.

**101. POSTING.** As all the persons named in the Sales Book are your debtors, you must therefore post the amounts to the Debit side of their respective personal a/cs. in the Ledger, and enter the *Date, To Goods, Fol., Amount.*

Seeing that the Sales Book contains particulars of Goods going Out or sold, you will post the total thereof to the Credit side of the Goods or Sales A/c. by entering the Date, By Sundries, S.B., Fol., Amount.

### SALES BOOK for Exercise 26.

Date		Particulars	Led Fol Dr.	Details.	Totals
				£ s d.	£ s d.
1907					
Aug.	3	Ezra Jones. 80 yards Zanella @ 1/6 36 " Cotton @ 1/6		6 - - 2 14 -	8 14 -
"	6	Edwin Fox. 48 yards Zanella @ 2/-			4 16 -
"	12	Ezra Jones. 100 yards Tapestry @ 4/-			20 - -
"	13	Edwin Fox. 20 yards Tapestry @ 3/6 20 " Zanella @ 2/-		3 10 - 2 - -	5 10 -
"	20	Edwin Fox. 20 yards Tapestry @ 3/6			3 10 -
"	29	Ezra Jones. 80 yards Cotton @ 1/6 20 " Worsted @ 7/6		6 - - 7 10 -	13 10 -
		Goods or Sales A/c... Cr.			£56 - -

### PURCHASES BOOK and SALES BOOK.

102. The following remarks and suggestions are equally applicable to both these books, in which entries should be made relating only to the goods in which the trader deals. The occasional purchase or sale of any other asset, such as plant and machinery, fixtures, furniture, &c., should be passed through the Journal. (*See par. 103.*) Cash purchases or sales should always be passed through these books where the name of the buyer or seller is given, in addition to the receipt or payment of the cash being recorded in the Cash Book.

1. The pages are folioed and vertically divided into five sections, the first being for the Date, the

second for the Name of the Person and the Particulars of the transaction, the third section being for the Ledger Folio on posting, the fourth section being the inner money column for the Details, and the fifth section being the outer money column for Totals.

2. When a purchase or sale consists of one item only, the amount should be placed in the outer or extended column. When more than one item, the separate sums must be entered in the first or detail column, and the total only carried into the extended column, on the same line as the last item. Trade discount should always be deducted, the net amount only appearing in the outer column.

3. Each different date must be written in the date column, being followed by the name of the person, and beneath that the particulars of the goods.

4. The name of the person must be boldly written, commencing close to the left-hand margin line, while the particulars of the goods should commence a little to the right of that line. This produces a good style of work. Carefully study the examples given on pages 88, 90, 92, 93.

5. A thin red line should be ruled between each transaction, across the page from the left-hand margin line, through the inner money column, but no further. Such lines keep each transaction distinct, besides giving a finish to your work.

**103. DEPARTMENTAL COLUMNS.** Merchants who deal largely in a variety of goods require to know the result of their transactions in each article. It is therefore necessary for them to keep a number of specific Goods A/cs. Both the Purchases Book and the Sales Book can, with great advantage, be adapted to the classification of goods, either by dissecting and summarising the various items at given periods, or the more preferable Tabular or Columnar ruling, additional money columns and classi

items daily (See pages 92 and 93) A Purchases Book may be ruled with columns to accommodate all the purchases of the business, including materials used in manufacturing, such as Oil, Soap, Fuel, Dyewares, Sundries, also Plant & Machinery, &c.

The two methods in a Sales Book would appear as on this and the next page —

### SALES BOOK summarised.

Date	Particulars	Led Fol Dr.	Details	Totals
			£   s   d	£   s   d
1907				
Sept 1	Fred Long. 5 Tons Manvers @ 12/-			3 - -
" 5	George Kaye. 10,000 Bricks @ 20/ 3 Tons Lime @ 21/-		10 3 3 -	18 3 -
" 9	Clay & Co. 5,000 Bricks @ 21/ 2 Tons Nuts @ 9/-		5 - 18 -	6 9 -
" 15	Sykes Bros. 50,000 Bricks @ 20/ 10 Tons Lime @ 21/-		50 10 10 -	60 10 -
" 18	Fred Long. 4 Tons Engine @ 8/ 2 " Manvers @ 12/-		1 1 12 - 4 -	2 16 -
" 23	Shaw & Sons. 8 Tons Lime @ 21/-			8 8 -
" 30	Taylor & Fry. 20,000 Bricks @ 20/ 20 Tons Engine @ 8/ 5 " Lime @ 21/-		20 8 5 5 -	33 5 -
	Total . . .			£127 5 -

SUMMARY:—Bricks A/c.  
Coal A/c  
Lime A/c.

Cr. £85 5 -  
Cr. 14 14 -  
Cr. 27 6 -

£127 5 -

## TABULAR or Classified SALES BOOK.

Date	Particulars	Led. Fol. Dr.	Total Debit	Bricks			Coal			Lime		
				£	s	d	£	s	d	£	s	d
1907 Sept 1	Fred Long. 5 tons Manvers @ 12/-		3 - -				3 - -					
" 5	George Kaye. 10,000 Bricks @ 20/- 3 tons Lime @ 21/-		10 9 3 -		10 - -					3 3 -		
" 9	Clay & Co. 5,000 Bricks @ 21/- 2 tons Nuts @ 9/-		5 5 -	5 5 -				18 -				
" 15	Sykes Bros. 50,000 Bricks @ 20/- 10 tons Lime @ 21/-		50 10 10 -	50 - -						10 10 -		
" 18	Fred Long. 4 tons Engine @ 8/- 2 " Manvers @ 12/-		1 12 -				2 16 -					
" 23	Shaw & Son. 8 tons Lime @ 21/-		8 8 -							8 8 -		
" 30	Taylor & Fry. 20,000 Bricks @ 20/- 20 tons Engine @ 8/- 5 " Lime @ 21/-		20 8 5 -	20 - -			8 - -			5 5 -		
			£ 127 5 -	,85 5 -	14 14 -			27 6 -		L F 20 L F 30 L F 40		

**POSTING.** The above form of a Purchases or Sales Book requires posting in precisely the same manner as directed in pars. 98 and 101. The totals of the above columns would be posted monthly to the credit side of the three separate accounts—Bricks, Coal, Lime, and the Ledger folio placed immediately underneath the totals, as shown above. Of course, separate A/cs. must be opened in the Ledger for each article dealt in, so that the profit or the loss may be found thereon; and after the insertion of the Stock on the Cr. side, the difference, in each account, being either a gross profit or a gross loss, must be transferred to the Trading or Profit & Loss A/c.

## JOURNAL PROPER.

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104. In practical work the Journal is only used for recording such transactions as do not come within the scope of the other books, such as Interest, Bad Debts, Depreciation, Reserves, Dishonoured Bills, Adjustments, the purchase or sale of plant, furniture, &c., and for recording opening and closing entries, although some business houses also prefer to journalise the totals of the subsidiary books.

The total of a Purchases Book would be journalised thus :—*Goods or Purchases A/c. Dr. £570 5 -*

*To Sundries (Creditors) .....£570 5 -*  
and the total of a Sales Book thus :—

*Sundries (Debtors) .. .. Dr. £472 10 -*

*To Goods or Sales A/c. . .....£472 10 -*

Of course, "Sundries" does not need posting, as each separate item has been previously posted to its personal a/c. from the Bought or Sales Book.

105. OPENING or STARTING ENTRIES consist of those items which form the B/S. or Statement of Affairs at the commencement of a business or a given period thereof. In Ex. 24 it will be seen that the opening entries consist of twelve items, totalling to £2418 15 -, as shown in the example on the next page. Should the opening entries consist of Cash or Bank merely, then they would only require entering as Capital in the Cash Book, and *not* in the Journal at all.

106. CLOSING ENTRIES are those which are made on balancing the books and consist of :—

- (a) The *differences* of the subsidiary Goods and P. & L. A/cs. which are *transferred* to the Trading A/c. or general P. & L. A/c.
- (b) The *differences* of gains or losses of the various Property and Trading A/cs. which are *transferred* to the P. & L. A/c.
- (c) The *net difference* of the P. & L. A/c. which is *transferred* to the Current or Capital A/cs.
- (d) The *net difference* of a Current or Drawings A/c. which is *transferred* to the Capital A/c. affected.

## Example of Opening, Intermediate and Closing Entries.

## JOURNAL for Exercise 24. Page 68. (Practical)

		Led. Fol.	Dr.	Cr.				
			£	s.	d.	£	s.	d.
1907								
Juno 1	Bank .....	Dr.	1237	10	-			
	Cash .....	"	59	10	-			
	Goods .....	"	755	-	-			
	Alfred Wells .....	"	123	15	-			
	Stocks & Co. ....	"	79	-	-			
	Charles Bond .....	"	70	-	-			
	Henry Bell .....	"	100	-	-			
	To William Smith .....					185	-	-
	" Walter Rudd .....					165	-	-
	" Martin Kidd .....					203	-	-
	" John Ball .....					59	15	-
	Capital A/c. (A. Pupil)....					1850	-	-
	(Total of Opening Entries).		£2418	15	-	£2418	15	-
" 4	Bad Debts A/c. ....	Dr.	85	-	-	85	-	-
	To Charles Bond.....							
" 27	Bad Debts A/e. ....	Dr.	60	-	-	60	-	-
	To Stocks & Co. ....							
" 30	Carriage .....	Dr.	23	4	5	23	4	5
	To Midland Ry. Co. ....							
" "	Interest A/c. ....	Dr.	7	14	-	7	14	-
	To Capital A/c.....							
	Total of Journal.....		£2544	19	5	£2544	19	5
	Closing Entries as follows:—							
" "	P. & L. A/c.....	Dr.	4	9	-	4	9	-
	To Interest A/c. ....							
" "	P. & L. A/c.....	Dr.	86	8	10	86	8	10
	To Trade Expenses A/c. ....							
" "	P. & L. A/c.....	Dr.	95	-	-	95	-	-
	To Bad Debts A/c. ....							
" "	Goods A/c. ....	Dr.	852	15	-	852	15	-
	To P. & L. A/c.....							
" "	P. & L. A/c.....	Dr.	41	14	5	41	14	5
	To Carriage A/c.....							
" "	Discount A/c.....	Dr.	1	8	-	1	8	-
	To P. & L. A/c.....							
" "	P. & L. A/c.....	Dr.	126	5	9	126	5	9
	To Capital A/c.....							
			£3252	9	5	£3252	9	5

## Practical Exercise 26.

From the following transactions compile a Purchases, Sales, and Cash Book, after having studied paragraphs 86, 87, 97, 100, 102.

	£ s. d.	£ s. d.
1907.		
Aug. 1. Cash in hand .....	1000	-
" 2. Purchased from James Cecil :—		
720 yds. Cotton @ 1/1 .....	39	-
672 " Zanella @ 1/2 .....	39 4	78 4
" 3. Sold to Ezra Jones :—		
80yds. " Zanella @ 1/6 .....	6	-
36 " Cotton @ 1/6 .....	2 14	8 14
" 4. Received from Alf. Scott, 336 yds. Satin @ 4/9 .....	79 16	-
" 6. Sent to Edwin Fox, 48 yds. Zanella @ 2/- .....	4 16	-
" 8. Paid Cash for Goods .....	46 15	-
" 9. Bought of Jas. Cecil, 1000 yds. Tapestry @ 3/- .....	150	-
" 10. Received Cash for Goods sold .....	31 1	-
" 11. Paid Wages in Cash .....	11 1	-
" 12. Sent to Ezra Jones, 100 yds. Tapestry @ 4/- .....	20	-
" 13. Paid James Cecil .....	78 4	-
" 13. Received from Ezra Jones .....	8 14	-
" 13. Sold to Edwin Fox :—		
20 yds. Tapestry @ 3/6 .....	£3 10	-
20 " Zanella @ 2/- .....	2	5 10
" 14. Received from Edwin Fox .....	4 16	-
" 15. Bought for Cash, Goods .....	57 5	-
" 16. Paid Alfred Scott .....	79 16	-
" 17. Paid James Cecil .....	150	-
" 17. Goods sold for Cash .....	43 1	-
" 17. Bought of James Cecil :—		
1200 yds. Shirting @ 2/6 .....	£161 5	-
128 " Cretonne @ 10/6 .....	72 9	233 14
" 18. Ezra Jones paid me .....	20	-
" 19. Purchased from Alf. Scott, 384 yds. Diaper @ 1/5 .....	27 4	-
" 20. Sold Edwin Fox, 20 yds. Tapestry @ 3/6 .....	3 10	-
" 21. Paid Cash for Goods .....	65 15	-
" 22. Cash Sales .....	45 11	6
" 23. Paid Alfred Scott .....	27 4	-
" 25. Paid Wages .....	9 1	-
" 26. Handed James Cecil, Cash .....	233 14	-
" 27. Bought of Alfred Scott :—		
168 yds. Worsted @ 7/- .....	£58 16	-
84 " Satin @ 10/- .....	42	100 16
" 28. Bought Goods for Cash .....	67 1	6
" 29. Sold to Ezra Jones :—		
80 yds. Cotton @ 1/6 .....	£6	-
20 " Worsted @ 7/6 .....	7 10	13 10
" 29. Received Cash from Edwin Fox .....	9	-
" 30. Sold Goods for Cash .....	53 13	6
" 30. Paid Rent .....	50	-
Paid Trade Expenses (Sundries) .....	7 13	-
<i>Stock of Goods, £781 10</i>		

107. After posting Exercise 26 in accordance with para 88, 98, 101, prepare a Trial Balance, in which do not forget to include the totals of Cash Book, minus the balance. When the Cash A/c was in the ordinary Ledger you always included the totals in the T.B., and although this a/c. is now in a separate book the totals must still be included in the T.B., in which all accounts, wherever they may be kept, should appear. In preparing the B/S. don't forget to include the Cash in hand. The following shows both forms of a Trial Balance —

- (1) Total postings to the ledger; not used in business.
- (2) Differences of the postings, business method.

Trial Balance for Exercise 26.

Ledger A/cs.	(1) Totals.						(2) Balances.					
	Dr.			Cr.			Dr.			Cr.		
	£	s	d	£	s	d	£	s	d	£	s	d
Cash .....	1215	17	-	883	9	6	882	7	6	1000	-	
Capital .....				1000								
Goods .....	906	10	6	229	7		677	9	6			
Trade Expenses	77	15	-				77	15	-			
James Cecil ....	461	18	-	461	18							
Alfred Scott ...	107	-		207	16	-				100	16	-
Ezra Jones ....	42	1		28	11	-	13	10				
Edwin Fox ..	13	16	-	13	16	-						
Totals agree	£2825		6	£2825		6	£1100	16	-	£1100	16	-

Dr.                      Profit & Loss A/c. for August, 1907                      Cr.

1907			1907		
Aug 31	To Trade Exs A/c	£ s d	Aug 31	By Gross Profit from Goods A/c	£ s d
" 31	" NET PROFIT	77 15 -			101 6 6
		26 11 6			
		£ 101 6 6			£ 101 6 6

Ex. 26.                  Balance Sheet on 31st August, 1907.

Liabilities.	Assets.
Alfred Scott . . . .	Cash in hand £ 882 7 6
CAPITAL	Stock of Goods 781 10
	Ezra Jones 13 10 -
	£ 1127 7 6

**108.** RETURNS and ALLOWANCES have to be dealt with in almost every trade for a variety of reasons. Errors and Omissions occasionally arise in all business houses, and when these occur in connection with the packing of goods or making out of invoices, they must be remedied by one of two methods. The commonest mistakes consist of sending short quantities and over-charging either in price, calculation, or casting. Where the mistake is discovered within a day or two of the dispatch of the invoice, a letter of apology should be written, enclosing a corrected invoice, the original one being cancelled. Where, however, the mistake is not discovered until the records have passed through the books, it will be necessary to remedy the error by proper entries, and to send a Credit Note to the customer.

On the examination of goods by a customer he sometimes finds the whole or a portion of them to be unsatisfactory, the principal causes being : damages in manufacture; inferior to sample in quality, weight, colour, or composition; damage in transit through imperfect packing; too late for the market, etc.

Occasionally a trader being out of stock of the exact class of goods ordered, will venture to send those of the nearest quality in the hope that they may suit the purposes of his customer, who, of course, is entitled to return them.

**109.** Many businesses use crates, tins, boxes, barrels, packing cases, sacks, in which to dispatch goods. When these empties are charged for they are usually returnable by the customer.

On account of the cost of carriage incurred in returning defective or other goods, the seller often proposes that the buyer shall keep them at a reduced price, and if agreed, the seller forwards the buyer a Credit Note giving particulars of the allowance made.

**110.** Goods sold to a customer are entered in the Sales Book and the amount posted to the debit of his a/c., therefore when he returns any goods, or an

allowance is made in respect thereof, it is necessary that the customer should be credited.

When goods are sold an **Invoice**, setting forth full particulars as to the quantity, quality, and price of the goods, is sent to the purchaser. An **Invoice** is practically a debiting document, and the words **Debtor to** might well be substituted for the customary words **Bought of**, printed at the head of every invoice. It follows that when goods, so invoiced, are returned, or an allowance is made in respect of them, a document having the opposite effect of an **Invoice** should be made out. That document is known as a **Credit Note** and is a statement, usually made out in red ink, sent by the seller to his customer, the debtor, showing the particulars of an amount in respect of which he is being credited. A **Credit Note** is like an **Invoice** in form, the chief difference being that the words **Credited by** instead of **Bought of** appear at the head. The following **Invoice**, **Credit Note**, and **Ledger A/c.** will serve to illustrate these common transactions :—

(**INVOICE.**)

Heeley,

Sheffield, 1st July, 1913.

Mr. Henry Wilson, Leeds

**Bought of THE UNION BRASS FOUNDRY CO., LTD**

		L s d	L s d
Brass Telescopic Floor Lamp No 63		2 8 -	
Do. do " 64.		3 15 -	
Do. do " 65.		5 - -	
Brass Curb Suite, No 522 .....		7 10 -	
Do. do " 523 .....		12 - -	
Brass Umbrella Stand, No 750.....		1 - -	
Do. do " 751.....		1 5 -	
Folding Fire Screen, No 602.....		8 10 -	
<hr/>		<hr/>	<hr/>
Trade Discount 50% ..		£11 8 -	
		20 14	
<hr/>		<hr/>	<hr/>
		£20 14 -	
<hr/>		<hr/>	<hr/>

## (CREDIT NOTE.)

Heeley,

SHEFFIELD, 12th July, 1913.

Mr. Henry Wilson, Leeds.

Credited by THE UNION BRASS FOUNDRY CO., LTD.

	£ s d.	£ s d.
Brass Telescopic Floor Lamp, No 63, returned, not having been ordered..	2 8 -	
Brass Curb Suite, No 523, charged at £12 instead of £10.....	2 - -	
	<hr/>	<hr/>
Trade discount 50% ..	£1 8 -	
	2 4 -	
	<hr/>	<hr/>
		£2 4 -

## (SALES LEDGER.)

Dr.	Henry Wilson, Briggate, Leeds.	Cr.
1913 July 1	To Goods....   20   14   -	1913 July 12   By Returns, &c.   2   4   -

111. Goods sold but returned to you by your customer, or in respect of which any allowance is agreed upon, are called Sales Returns or Returns Inwards, because value comes in.

Goods bought but returned by you to the seller, or in respect of which any abatement is agreed upon, are called Purchases Returns or Returns Outwards, because value goes out.

When Returns and Allowances are few in number, it is the practice in business to enter Returns Inwards at the end of the Sales Book, and Returns Outwards at the end of the Purchases Book. When more numerous, separate books must be employed. The ruling of the Returns Books is precisely the same as that of the Purchases and Sales Books.

112. The RETURNS INWARDS BOOK contains particulars of Goods returned by the purchaser to you, also particulars of Overcharges or Allowances made by you to the purchaser. After the entry has been made and checked the Credit Note should be made out in *red ink* and forwarded to the customer.

**Posting.** As the transactions recorded in this Returns Book make the individuals named therein *creditors* for their respective amounts, therefore post the amounts to the Cr. side of their respective personal a/cs. in the Sales Ledger and enter the : *Date, By Returns, Fol., Amount.* The total representing Goods returning inwards must be posted to the Dr. side of the Goods or Sales or Returns Inwards A/c. by entering : *Date, To Returns, Fol., Amount.*

On balancing, the total of the Returns Inwards A/c. must either be debited to the Trading A/c. or deducted from the Sales.

### RETURNS INWARDS BOOK

of the Union Brass Foundry Co., Limited

Date	Particulars	Fwd Fol Cr.	Details		Totals	
			£	s d	£	s d
1913 July 12	Henry Wilson, Leeds. Brass Telescopic Floor Lamp, No. 63, returned, not having been ordered .....					
			2	8 -		
	Brass Curb Suite, No. 523, charged at £12 instead of £10		2	- -		
			4	8 -		
	Trade Discount, 50%		2	4 -		
" 21	John Smith. Folding Fire Screen, damaged		7	- -		
	Trade Discount, 50%		3	10 -		
	Sales A/c or Returns Inwards A/c...Dr.				3	10 -
					£5	14 -

### (GENERAL LEDGER.)

Dr.	Sales A/c. or Returns Inwards A/c	Cr.
1913 July 31	To Returns for July 1st per Returns I.B	£ s d
		5 11 -

**113. The RETURNS OUTWARDS BOOK** contains particulars of Goods returned by you to the seller or vendor; also particulars of allowances made by the vendor to you.

**Posting.** As the transactions recorded therein make the individuals named debtors to you for their respective amounts, you will therefore post the amounts to the Dr. side of their respective personal a/cs. in the Purchases Ledger and enter the *Date, To Returns, Fol., Amount.*

Seeing that this Returns Book contains particulars of Goods which are being returned Outwards, you will therefore post the total thereof to the Cr. side of the Goods or Purchases or Returns Outwards A/c. by entering the *Date, By Returns, Fol., Amount.*

On balancing, the total of the Returns Outwards A/c. must either be credited to the Trading A/c. or deducted from the Purchases.

**RETURNS OUTWARDS BOOK**  
of Crowther & Jones, Woollen Manufacturers

Date	Particulars	Led Fol Dr.	Details			Totals		
			£	s	d	£	s	d.
1913 May 4	Bykes & Co. (2834) Black Serge, invoiced 29th April, 3 yards short @ 2/6 (3946) Blue Vicuna, invoiced 29th April Defective finish 56 yards @ 4/2 .....			7	6			
			11	13	4	12	-	10
" 16	Beaumont Bros. (3701) Fancy Tweed, invoiced 12th May, wrong pattern, 58 yards @ 2/8 .....					7	14	8
" 27	John Haigh. (5110) Black Worsted, invoiced 22nd May, overcharge of 2d per yard on 48 yards .....							8 -
	Purchases A/c. or Returns Outwards A/c...Cr.					£20	3	6

## (GENERAL LEDGER.)

Dr.	Purchases A/c. or Returns Outwards A/c.	Cr.
-----	---	-----

	1913 May 31	By Returns for May as per Returns O B .....	£ 20	s 3	d. 6
--	----------------	--	------	-----	------

**114.** Small Allowances are frequently left to be dealt with on settlement of account, in which case the amount allowed is generally entered in the Discount column of the Cash Book, instead of being passed through the Returns Books.

**115.** Undercharges may arise in entering the prices of goods on an Invoice, as well as in undercasting. Such mistakes, if discovered too late to be remedied by a Corrected Invoice, may be rectified by a Debit Note, which is a statement, in the form of an Invoice, sent to a customer, the debtor, showing particulars of an amount in respect of which you are debiting him. A Debit Note is really an additional or supplementary Invoice, therefore full particulars of the difference debited must be recorded in the Sales Book, and posted to the debit of the debtor in the Sales Ledger, in the usual manner.

## (DEBIT NOTE.)

625 Cheapside,

LONDON, E.C., 20th June, 1913.

*Messrs. Owen & Dew, Wakefield.*

Dr. to Charles Mee &amp; Co., Limited.

To Undercasting of Invoice, dated 13th June .....	£ 10		
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## (SALES LEDGER.)

Dr.	Owen & Dew, Wakefield.	Cr.
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1913 June 13	To Goods.....	£ 115	s 16	d. 9
" 20	" Debit Note .....	10	-	-

116. TRADING A/C. is merely another name for a Goods A/c., except that the latter has been used for the purpose of posting the various transactions direct, while a Trading A/c., like a Profit & Loss A/c., is only prepared when balancing the books. Reference to page 18 will show that one of the objects of a Goods A/c. is to display the Gross Profit realised, and this is the object of a Trading A/c. In all but the smallest businesses it is usual to subdivide the transactions relating to Goods and to keep separate a/cs. for the Opening Stock, Purchases, Returns Outwards, Sales, and Returns Inwards; transferring the totals of these five a/cs. on balancing, together with the Closing Stock, to the Trading A/c., in order to ascertain the Gross Profit. This practical method is required to be adopted in working some modern Examination Papers, and is illustrated by the following a/cs. :—

Dr.	Stock Account.			Cr.
1913 June 1	To Balance b/f ..	£ 800	1913 June 30	By Transfer to Trading A/c. £ 800

Dr.	Purchases Account.			Cr.
1913 June 30	To Sundries as per Purchases Book	£ 250	1913 June 30	By Transfer to Trading A/c. £ 250

Dr.	Sales Account.			Cr.
1913 June 30	To Transfer to Trading A/c.	£ 460	1913 June 30	By Sundries as per Sales Book £ 460

## Dr. Returns Inwards Account. Cr.

1913 June 30	To Sundries as per Returns I.B.	£ 42	1913 June 30	By Transfer to Trading A/c.	£ 42
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## Dr. Returns Outwards Account. Cr.

1913 June 30	To Transfer to Trading A/c	£ 23	1913 June 30	By Sundries as per Returns O.B.	£ 23
-----------------	-------------------------------	------	-----------------	------------------------------------	------

## Dr. Trading Account for June, 1913. Cr.

1913 June 1	To Stock b/f.....	£ 800	1913 June 30	By Sales....£460 Less Returns 42	£
" 30	" Purchases £250 Less Returns 23		" 30		
" 30	" Gross Profit carried to P. & L. A/c	227	" 30	" Stock c/f ....	703
		94			
		£ 1121			£ 1121

117. The Proprietary or Nominal Accounts are often a source of trouble to the beginner, who will find it helpful to remember that such accounts are really one account, subdivided for the convenience of the Proprietor, in order to enable him to ascertain certain financial results of the business. All the Proprietary Accounts are, in theory, the Capital or Personal A/c. of the Proprietor, to which the final results of all those subdivisions are transferred on balancing the books. If all the items composing the various Nominal A/cs. were posted direct to the Capital A/c. the result would be precisely the same as that arrived at by the ordinary methods, as shown by the following example:—

## Dr. CAPITAL or PROPRIETOR'S ACCOUNT. Cr.

	£	s	d		£	s	d		
To Carriage .....	13	-	-	By Balance b/f ....	4003	1	3		
" Wages .....	20	-	-	" Profit on Port..	342	3	9		
" Corn & Fodder ..	7	10	6	" Profit on Sherry	251	14	4		
" Rates .....	27	-	-	" Interest .....	10	5	-		
" Insurance .....	4	5	-	" Discount .....	39	2	5		
" Gas .....	1	5	-						
" Painting .....	23	-	-						
" Bad Debts .....	183	2	3						
" Depreciation .....	93	7	-						
" Drawings .....	150	-	-						
" BALANCE c/d..	4124	17	-						
	£	4652	6	9		£	4652	6	9
				By Balance b/d....	4124	17	-		

118. In business, as well as in working the practical method of modern Examination Papers, the items in the above theoretical account would first appear in their separate accounts as shown below, followed by their transference to the Profit & Loss A/c. for ascertaining the Net Profit, which would be carried to the Cap. A/c.

Dr.	Carriage Account.				Cr.
	£	s	d		
1907				1907	
Sep. 30	To Bank.....	13	-	Sep 30 By Transfer to P. & L. A/c.	13

Dr.	Wages Account.				Cr.
	£	s	d		
1907				1907	
Sep. 4	To Cash.....	5	-	Sep 30 By Transfer to Profit &	£
" 11	" Cash.....	5	-	Loss A/c.	s.d.
" 18	" Cash.....	5	-		20
" 25	" Cash.....	5	-		- -
	£	20	-		£ 20

Dr.	Stable Expenses Account.				Cr.
	£	s	d		
1907				1907	
Sep 25	To Cash (Corn & Fodder)	7	10	Sep 30 By Transfer to P. & L. A/c.	£ s d.
		6			7 10 6

Dr.	Rates & Taxes Account.	Cr.
1907 Sep 29	To Cash.....	£ s. d. 27 - -

1907 Sep 30 By Transfer to  
P. & L. A/c.

£ s. d.  
27 - -

Dr.	Insurance Account.	Cr.
1907 Sep 24	To Cash .....	£ s. d. 4 5 -

1907 Sep 30 By Transfer to  
P. & L. A/c.

£ s. d.  
4 5 -

Dr.	General Expenses Account.	Cr.
1907 Sep. 18	To Cash (Painting)	£ s. d. 23 - -
" 18	" Cash (Gas)	4 5 -
		£ 27 5 -

1907 Sep 30 By Transfer to  
Profit &  
Loss A/c.

£ s. d.  
27 5 -

Dr.	Bad Debts Account.	Cr.
1907 Sep. 28	To Ernest Hooley..	£ s. d. 183 2 3

1907 Sep 30 By Transfer to  
P & L. A/c.

£ s. d.  
183 2 3

Dr.	Interest Account.	Cr.
1907 Sep 30	To Transfer to P. & L. A/c	£ s. d. 10 5 -

1907 Sep 30 By Bank.....

£ s. d.  
10 5 -

Dr.	Discount Account.	Cr.
1907 Sep 30	To Sundry Debtors as per Cash Book ..	£ s. d. 25 13 7
" 30	" Transfer to P. & L. A/c.	39 2 5
		£ 64 16 -

1907 Sep 30 By Sundry  
Creditors as  
per Cash Book

£ s. d.  
64 16 -

Dr.	Depreciation Account.			Cr.
	£	s	d	
1907				1907
Sep. 30 To Premises ..	40	-	-	Sep. 30 <i>By Transfer to Profit &amp; Loss A/c</i>
" 30 " Furniture ..	17	2	-	
" 30 " Horses ....	38	5	-	95 7 -
	<b>£</b>	<b>95</b>	<b>7</b>	<b>-</b>
				<b>£</b> <b>95</b> <b>7</b> <b>-</b>

## Dr. Profit &amp; Loss Account for the month of Sept., 1907. Cr.

Dr.	£	s	d	Cr.	£	s	d	
To Carriage .....	13	-	-	By Gross Profit from Trading A/c. :-				
" Wages.....	20	-	-	Port ..... 342 3 9				
" Stable Expenses ..	7	10	6	Sherry ..... 251 14 4				
" Rates and Taxes ..	27	-	-	,, Interest ..... 10 5 -				
" Insurance .....	4	5	-	,, Discount ..... 39 2 5				
" General Expenses..	27	5	-					
" Bad Debts.....	183	2	3					
" Depreciation .....	95	7	-					
" NET PROFIT transferred to Capital Account of Thomas Turner ..	265	15	9					
	<b>£</b>	<b>643</b>	<b>5</b>	<b>6</b>				
					<b>£</b>	<b>643</b>	<b>5</b>	<b>6</b>

## Dr. Proprietor's Drawings A/c. Cr.

Dr.	£	s	d	Cr.	£	s	d
1907				1907			
Sep. 1 To Cash.....	100	-	-	Sep. 30 <i>By Transfer to Capital A/c.</i>			
" 21 " Cash.....	50	-	-		150	-	-
	<b>£</b>	<b>150</b>	<b>-</b>		<b>£</b>	<b>150</b>	<b>-</b>

## Dr. Capital Account of Thomas Turner. Cr.

Dr.	£	s	d	Cr.	£	s	d
1907				1907			
Sep. 30 To Drawings..	150	-	-	Sep. 1 By Balance b/f.	4009	1	3
" 30 " Balance c/d.	4124	17	-	" 30 " Net Profit for Sept.	265	15	9
	<b>£</b>	<b>4274</b>	<b>17</b>		<b>£</b>	<b>4274</b>	<b>17</b>
				Oct. 1 By Balance b/d.	4124	17	-

## Practical Exercise 20. (Page 44.)

*Purchases Book* contains 4 entries. Total £34 16 -

*Sales Book* contains 4 entries. Total £32 11 -

*Cash Book* has 5 Dr. and 7 Cr. entries. Balance £401 19 2.

*Journal* contains the Opening Entries only, £568.

Post the *Journal* first. The Cash £283 13 8 in the *Journal* does not need posting as it is already in the *Cash Book*. The Capital £283 13 8 in the *Cash Book* does not need posting as it is included in the £543 in the *Journal*.

Trial Balance.	Totals.		Balances.	
	Dr.	Cr.	Dr.	Cr.
Cash A/c. ....	£ 442 5 4	£ 40 6 2	£ 401 19 2	£ 543 - -
Capital A/c. ....		543 - -		
Stock A/c. ....	250 6 4		250 6 4	
Purchases A/c. ....	55 18 -	181 18 8	55 18 -	181 18 8
Sales A/c. ....	18 4 2		18 4 2	
Trade Expenses A/c. ....		8 16 -		8 16 -
Field & Co. ....		14 12 -		14 12 -
Cassell & Co. ....		11 8 -		11 8 -
George Allen ....	7 18 -	7 18 -	- - -	
Henry Gill ....	30 - -	30 - -		
Thomas Gee ....	25 - -	25 - -		
Harry Frost ....	4 18 -	1 6 -	3 7 -	
Henry Hoole ....				
	£ 834 4 10	£ 834 4 10	£ 759 14 8	£ 759 14 8

## Practical Exercise 20a. (Page 46.)

*Journal* contains the Opening Entries only, £2855.

*Purchases Book* contains 2 entries. Total £603 5 -

*Sales Book* contains 5 entries. Total £263 11 8.

*Cash Book* has 8 Dr. and 6 Cr. entries. Balance £444.

Trial Balance.	Totals.		Balances.	
	Dr.	Cr.	Dr.	Cr.
Cash A/c. ....	£ 1019 5 -	£ 675 5 -	£ 414 - -	£ 2155 - -
Capital A/c. ....		9155 - -		
Stock A/c. ....	2000 - -		2000 - -	
Purchases A/c. ....	603 5 -	363 11 8	603 5 -	363 11 8
Sales A/c. ....	21 5 -		21 5 -	
Wages A/c. ....	4 - -		4 - -	
Trade Expenses A/c. ....	400 - -	769 8 -		369 8 -
Soanes & Co. ....	150 - -	533 17 -		383 17 -
Broughton & Co. ....	200 10 -	100 - -	100 10 -	
Samuel Fletcher ....	150 11 8	100 5 -	41 6 8	
James Ramshaw ....	85 - -		85 - -	
Edward Booth ....	182 10 -	110 - -	23 10 -	
George Taylor ....				
	£ 4716 6 8	£ 4716 6 8	£ 3271 16 8	£ 3271 16 8

## Practical Exercise 20b. (Page 47.)

*Journal* contains the Opening Entries only, £468 19 7.

*Purchases Book* contains 4 entries. Total £88 2 3.

*Sales Book* contains 8 entries. Total £36 2 6.

*Cash Book* has 9 Dr. and 10 Cr. entries. Balance £191 5 7.

Trial Balance.	Totals.			Balances.		
	Dr.	Cr.		Dr.	Cr.	
Cash A/c.	33 6 11	172 1 4		191 6 7		
Capital A/c.		300	-		300	-
Stock A/c.	228 4 3			228 4 3		
Purchases A/c.	104 6 6			104 6 6		
Sales A/c.		151 9 3			151 9 3	
Trade Expenses A/c.	15 17 6			15 17 6		
Henry Stephens	38 19 2	74 1 2			83 2	-
Hayden & Co.	49 5 9	49 3 9			5 18	-
Millington & Co.	50 16 3	89 6 9			59 12 6	-
Charles Town	26 18 5	44 8 2			17 8 9	-
Seth Whiteley	17 12 3	12 19 1		4 13 2		
Edwin Wilson	20 4 5	14 2 8		6 2		
Norman Kaye	20 10	11 18 4		8 2 6		
Frederick Davey	4 13 6	4 13 6				
Walter Richardson	7 17 10	7 17 10				
	£ 932 3 10	£ 932 3 10		£ 568 11 6	£ 568 11 0	

## Practical Exercise 21. (Page 61.)

*Journal* contains Opening Entries only, £610 6 2.

*Purchases Book* contains 5 entries. Total £113 2 -.

*Sales Book* contains 5 entries. Total £92 17 -.

*Cash Book* 2 columns. See pars. 69 to 94 and key on page 84.

Trial Balance.	Totals.			Balances.		
	Dr.	Cr.		Dr.	Cr.	
Cash	500 19 10	436 9 4		154 10 6		
Bank	400 14 -	141 15 -		258 19 -		
Capital		575 10 2			575 10 2	
Stock A/c.	175 - -			175 - -		
Purchases A/c.	116 9 -			116 9 -		
Sales A/c.		188 3 8			188 3 8	
Trade Expenses	22 15 4			22 15 4		
Field & Co.	8 16 -	25 16 -			17 - -	
George Allen	28 - -	27 10 -		- 10 -		
Cassell & Co.	84 12 -	91 12 -			10 - -	
Thomas Gee	45 - -	45 - -				
Henry Hoole	5 14 -	5 14 -				
George Grace	29 - -			29 - -		
Edwin Hart	61 10 -	23 - -		33 10 -		
	£ 1568 10 9	£ 1568 10 9		£ 790 18 10	£ 790 18 10	

## Practical Exercise 22. (Page 62.)

The only Opening Entry being Cash in Journal is required.

*Purchases Book* contains 6 entries. Total £718 17 6.

*Sales Book* contains 3 entries. Total £143 10 8.

*Cash Book* has 9 Dr. and 10 Cr. entries.

Trial Balance.	Totals.			Balances.		
	Dr.	Cr.		Dr.	Cr.	
Cash A/c. ....	2471 10 6	2107 10		67 6		
Bank A/c. ....	220 -	49 15 -		2270 5 -		
Capital A/c. ....		2000 -			2000 -	
Purchases A/c. ....	761 7 6			761 7 6		
Sales A/c. ....		558 1 2			558 1 2	
Trade Expenses A/c. ....	41 15			41 15		
Prince & Co. ....		100			100	
Coop & Co. ....	40	267 17 6			267 17 6	
James Land ....		215			215	
Doll & Co. ....	51	10 -		44		
George Webb ....	89 10 8	76		13 10 8		
	£ 6784 3 6	5781 3 8		£ 3200 19 8	£ 3200 18 5	

## Practical Exercise 23. (Page 65)

*Journal* for Opening Entries and last transaction in the Exercise.

*Purchases Book* contains one item only, £36 16 -.

*Sales Book* contains 4 items. Total £149 8 -.

*Cash Book* (3 columns). See pars 95, 96 and key on page 86.

*Post Journal* first, except first 2 items, which are already in the *Cash Book*. The first Dr. line in the *Cash Book*, showing the balance brought forward does not need posting.

Trial Balance.	Totals.			Balances.		
	Dr.	Cr.		Dr.	Cr.	
Cash A/c. ....	201 10 -	162 9 6		39 6 6		
Bank A/c. ....	527 8 -	107 10 -		320 18 -		
Capital A/c. ....		702 15 -			702 15 -	
Stock A/c. ....	250 10 -			350 10 -		
Purchases A/c. ....	121 6 -	223 8 -		121 6 -		
Sales A/c. ....					223 8 -	
Interest A/c. ....	2 15 -			2 15 -		
Discount A/c. ....	1 1 -	5 -			3 19 -	
Trade Expenses A/c. ....	37 3 6			37 3 6		
Penn & Co. ....	105 -	111 14 -			0 14 -	
Thomas Aller ....	61 2 -	50 -		31 2 -		
Arthur Carr ....	55 11 -	39 16 -		21 15 -		
Walter Fell ....	48 6 -	48 5 -				
	£ 1531 11 6	1634 11 6		£ 039 16 -	£ 039 16 -	

## Practical Exercise 24. (Page 68.)

*Journal.* See key page 95. Total £2544 13 5. This total does not include Petty Cash, for which a separate book is kept, (see page 68).

*Purchases Book* contains 2 entries. Total £570 5 -.

*Sales Book* contains 5 entries. Total £597 10 -.

*Cash Book* has 15 Dr. and 14 Cr. entries.

*Petty Cash Book* has one receipt and one payment.

Trial Balance.	Totals.		Balances.	
	Dr.	Cr.	Dr.	Cr.
Cash A/c. .... .....	1071	£ 45 11 -	425 9 -	
Bank A/c. .... .....	1893 15 -	920 2 -	903 13 -	
Petty Cash A/c. .... .....	5 -	4 7 10 -	12 2 -	
Capital A/c. .... .....		1837 14 -		1837 14 -
Stock A/c. .... .....	755 -		755 -	
Purchases A/c. .... .....	690 5 -		690 5 -	
Sales A/c. .... .....		1008 -		1008 -
Carriage A/c. .... .....	41 14 5		41 14 5	
Bad Debts A/c. .... .....	95 -		95 -	
Interest A/c. .... .....	7 14 -	3 5 -	4 9 -	
Discount A/c. .... .....	3 15 -	1 18 -		1 3 -
Trade Expenses A/c. .... .....	86 8 10 -		86 8 10 -	
William Smith .... .....	100 -	135 -		25 -
Walter Rudd .... .....	165 -	165 -		
Martin Kidd .... .....	209 -	259 -		500 -
John Bell .... .....	80 -	80 -		
Midland Railway Co. .... .....		23 4 5		23 4 5
Alfred Wells .... .....	221 15 -	229 15 -	3 -	
Stocks & Co. .... .....	340 -	340 -		
Charles Bond .... .....	70 -	70 -		
Henry Bell .... .....	178 10 -	50 -	128 10 -	
Caleb Brett .... .....	20 -		90 -	
	£ 691 17 3	£ 691 17 3	£ 314 1 5	£ 314 1 5

N.B.—The theoretical Trial Balance of Exercise 24, totals to £6079 17 3, on account of the items below:—

Alfred Wells ... £166 15 -	£163 15 -
Stocks & Co. ... 180 -	180 -

## Practical Exercise 25. (Page 73.)

*Journal.* No Opening Entries; but the items shown in par. 79 must appear, and 2 additional transactions. Total £1570 6 8.

*Purchases Book* contains 2 entries. Total £314 10 -.

*Sales Book* contains 7 entries. Total £402 10 9.

*Cash Book* has 16 Dr. and 18 Cr. entries.

*Petty Cash Book* has one receipt and one payment.

The £1500 paid for the business of J. Exley must be entered in the office column of the Cash Book, thus:—"By John Exley, £1500."

Ex. 25. Trial Balance.	Totals.			Balances.		
	Dr.	Cr.		Dr.	Cr.	
Cash A/c. ....	£ 230 14 3	£ 2307 16 6		£ 83 17 9		
Bank A/c. ....	791 11 1	246 7 6		518 3 7		
Petty Cash A/c. ....	10 -	7 16 6		2 3 6		
A. Pupil's Capital A/c. ....		1001 3 4			1004 3 4	
A. Pupil's Drawings A/c. ....	20 -			20 -		
I. Pupil's Capital A/c. ....		1001 3 4			1001 3 4	
I. Pupil's Drawings A/c. ....	20 -			20 -		
Stock A/c. ....	050 -			050 -		
Purchases A/c. ....	814 10 -			311 10 -		
Sales A/c. ....		507 5 -			507 5 -	
Goodwill A/c. ....	200 -			200 -		
Carriage A/c. ....	20 5 -			20 5 -		
Bad Debts A/c. ....	62 -			62 -		
Wages A/c. ....	16 -			16 -		
Interest A/c. ....	8 6 8 -	2 1 1 -		6 5 7 -		
Discount A/c. ....	12 9 9 -	8 10 -		3 19 9 -		
Trade Expenses A/c. ....	18 6 6 -			18 6 6 -		
Tree & Co. ....	274 10 -	311 10 -			40 -	
John Exley ....	1500 -	1500 -		-	-	
Benjamin Dean ....	61 - 3	30 -		21 - 3		
Howe & Co. ....	285 5 2	111 15 2		178 10 -		
Clifford Pears ....	107 6 7	24 6 7		83 -		
George Peel ....	93 -	93 -		-		
Samuel Giles ....	102 10 9	45 -		57 10 9		
Oliver Helm ....	113 6 -	113 8 -		-		
	£ 7410 3 -	£ 7410 2 -		£ 2555 11 8	£ 2555 11 8	

119. PRACTICAL BOOK-KEEPING aims at recording all the monetary facts of a business so as to arrive at accurate results with the least possible amount of labour. In small businesses it is still customary to enter all the details of transactions in the Purchases, Sales, and Returns Books, but in larger and well-conducted concerns the entry of such details has long since been abandoned. In the case of Purchases all the invoices received are filed and numbered; the *date*, *name* of vendor, and total *net amount* only being entered in the Purchases Book.

Invoices in respect of Sales are either press-copied or carbon-copied on sheets of uniform size for filing; the *date*, *name* of purchaser, and total *net amount* only being entered in the Sales Book.

Credit Notes are similarly copied, numbered and filed; the *date*, *name*, and *amount* only being entered in the Returns Book.

This Slip System is a great time-saver, reducing clerical labour to a minimum, without sacrificing the advantages of scientific Book-keeping.

ing Exercise, worked out in full, thoroughly illustrates this practical method.

Candidates for Examinations must, however, always comply with the Instructions on the Examination Paper, and *insert all details* in the various books, unless authorised to omit them.

**Practical Exercise worked out in full.**

Henry Mitchell and William Pollard started business in equal partnership on 1st July, 1914, with the following balances:—  
*Assets*, Cash in hand £41, at Bank £1204 3s. 6d. Freehold Premises £600. Furniture & Fittings £100. Stock of Goods £900. Debtors:—Charles Cook £164 9s. David Dawson £549 3s. 2d. *Liabilities*, Henry Haigh £705 3s. 5d. Walter White £250 12s. 3d. Capital, H. Mitchell £1300, W. Pollard £1300.

July 3.	Bought from H. Haigh, Goods .....	£235	-	-
,, 4.	Sold to Charles Cook, Goods .....	163	-	-
,, 7.	Bought Filing Cabinet for cheque .....	20	-	-
,, 9.	Paid H. Haigh cheque £475, Discount...	25	-	-
,, 10.	Paid out of Office Cash for Stationery... ....	5	3	6
,, 11.	Received from David Dawson cheque, and paid same direct to Bank £190, Discount...	10	-	-
,, 11.	Paid Wages out of Office Cash .. ....	26	-	-
,, 11.	W. Pollard withdrew for private use by cheque .. ....	10	-	-
,, 13.	Returned to H. Haigh, Goods, being of inferior quality .. ....	8	8	-
,, 15.	Sold to David Dawson, Goods .. ....	185	10	-
,, 16.	Drew from Bank, Cash for Office .. ....	20	-	-
,, 18.	Paid for Advertising out of Office Cash ... ..	15	10	-
,, 20.	David Dawson returned to us, Goods not being equal to sample .. ....	3	-	-
,, 21.	Bought of Walter White, Goods .. ....	48	-	-
,, 22.	Sold to Charles Cook, Goods .. ....	49	3	-
,, 23.	Drew from Bank, Cash for Office .. ....	20	-	-
,, 24.	Received from Charles Cook, cheque, and paid same direct to Bank, £156 4s. 6d. Dis.	8	4	6
,, 25.	Paid Wages out of Office Cash .. ....	26	-	-
,, 25.	Returned to White, Goods of inferior quality .. ....	11	16	-
,, 25.	W. Pollard withdrew for private use by cheque .. ....	10	-	-
,, 27.	Paid Walter White by cheque £238, Dis....	12	12	3
,, 28.	Received from David Dawson cheque on account and paid direct into Bank .. ....	200	-	-
,, 28.	Received from Charles Cook, cheque on account, and paid direct into Bank .. ....	100	-	-
,, 29.	Returned to us by Charles Cook, Goods of inferior quality .. ....	1	-	-
.. 31.	Paid Carriage A/c. by cheque .. ....	16	8	3
.. 31.	Paid Sundry General Expenses out of Cash .. ....	3	6	8
.. 31.	Depreciation of Freehold Premises .. ....	2	10	-
.. 31.	Depreciation of Furniture and Fittings .. ....	1	-	-
	<i>Stock of Goods</i> , £980.			

## JOURNAL.

Dr.

Cr.

1914			£	s.	d.	£	s.	d.
July 1	Cash in hand .....	Dr.	41	-	-			
	Cash at Bank .....	"	1204	3	6			
	Freehold Premises .....	"	600	-	-			
	Furniture & Fittings .....	"	100	-	-			
	Stock of Goods .....	"	900	-	-			
	Charles Cook .....	"	164	9	2			
	David Dawson .....	"	519	3	2			
	To Henry Haigh .....					708	8	5
	" Walter White .....					250	12	3
	" H. Mitchell, Capital A/c. ....					1800	-	
	" W. Pollard, Capital A/c. ....					1300	-	
	Total of Opening Entries		£3558	15	8	£3558	15	8
" 31	Depreciation A/c. ....	Dr.	3	10	-			
	To Freehold Premises .....	"				2	10	-
	" Furniture & Fittings .....	"				1	-	-
			£3	10	-	£3	10	-
	Closing Entries as follows:-							
" 31	Trading A/c. ....	Dr.	900	-	-	900	-	-
	To Stock A/c. for Stock on 1st July							
" 31	Trading A/c. ....	Dr.	283	-	-	283	-	-
	To Purchases A/c. ....							
	for balance transferred							
" 31	Returns Outwards A/c. ....	Dr.	10	4	-	10	4	-
	To Trading A/c. ....							
	for balance transferred							
" 31	Sales A/c. ....	Dr.	397	13	-	397	13	-
	To Trading A/c. ....							
	for balance transferred							
" 31	Trading A/c. ....	Dr.	4	-	-	4	-	-
	To Returns Inwards A/c. ....							
	for balance transferred							
" 31	Stock A/c. ....	Dr.	980	-	-	980	-	-
	To Trading A/c. ....							
	for Stock on 31st July							
" 31	Trading A/c. ....	Dr.	200	17	-	200	17	-
	To Profit & Loss A/c. ....							
	for Gross Profit transferred							
" 31	Profit & Loss A/c. ....	Dr.	95	18	5	16	8	3
	To Carringe A/c. ....					52	-	-
	" Wages A/c. ....					5	3	6
	" Stationery A/c. ....					15	10	-
	" Advertising A/c. ....					3	6	8
	" General Expenses A/c. ....					3	10	-
	" Depreciation A/c. ....							
	for balances transferred							
" 31	Discount A/c. ....	Dr.	19	7	9	19	7	9
	To Profit & Loss A/c. ....							
	for balance transferred							
" 31	Profit & Loss A/c. ....	Dr.	124	6	4	62	3	2
	To H. Mitchell, Capital A/c. ....					62	3	2
	" W. Pollard, Capital A/c. ....							
	for Net Profit transferred							
" 31	W. Pollard, Capital A/c. ....	Dr.	20	-	-	20	-	-
	To W. Pollard, Drawings A/c. ....							
	for balance transferred							
	Total of Closing Entries.		£9035	6	6	£9035	6	6

## Purchases Book.

1914.		L.F. Cr.	£	s	d
July 3	Henry Haigh .....		235	-	-
" 21	Walter White.....		48	-	-
	Purchases A/c .....	Dr	£283	-	-

## Returns Outwards Book.

1914.		L.F. Dr	£	s.	d.
July 13	Henry Haigh .....		8	8	-
" 25	Walter White .....		1	16	-
	Returns Outwards A/c .Cr.		£10	4	-

## Sales Book.

1914		L.F. Dr.	£	s.	d.
July 4	Charles Cook .....		163	-	-
" 15	David Dawson .....		185	10	-
" 22	Charles Cook .....		49	3	-
	Sales A/c .....	Cr	£397	13	-

## Returns Inwards Book.

1914.		L.F. Cr.	£	s.	d.
July 20	David Dawson .....		3	-	-
" 29	Charles Cook .....		1	-	-
	Returns Inwards A/c...Dr		£4	-	-

Treble Column CASH BOOK.

CASH.  
Dr.

CONTRA.

## Dr. Henry Mitchell, Capital A/c. Cr.

1914 July 31	To Balance c/d .....	£ 1362 8 2	s d	1914 July 1	By Balance b/f .....	£ 1800 - -
" 31				" 31	" Half share of Net Profit .. ....	62 3 2
		£ 1362 8 2				£ 1362 8 2

Aug 1 By Balance b/d ..... 1362 8 2

## Dr. William Pollard, Capital A/c. Cr.

1914 July 31	To Drawings .. .	£ 20	s d	1914 July 1	By Balance b/f .. .	£ 1300 - -
" 31	" Balance c/d .. .	1342 8 2		" 31	" Half share of Net Profit .. ....	62 3 2
		£ 1362 8 2				£ 1362 8 2

Aug 1 By Balance b/d ... 1342 8 2

## Dr. William Pollard, Drawings A/c. Cr.

1914 July 11	To Cash .. .... .	£ 10	s d	1914 July 31	By Transfer to Capital A/c ..	£ s.d.
" 25	" Cash .. .... .	10				£ 20 - -
		£ 20 - -				£ 20 - -

## Dr. Freehold Premises A/c. Cr.

1914 July 1	To Balance b/f ..	£ 600	s d	1914 July 31	By Depreciation .....	£ s.d.
		£ 600	- -	" 31	" Balance c/d .. ....	210 - -
		£ 600 - -				597 10 -

Aug. 1 To Balance b/d ... 597 10 -

## Dr. Furniture &amp; Fittings A/c. Cr.

1914 July 1	To Balance b/f.....	£ 100	s d	1914 July 31	By Depreciation .....	£ s.d.
" 7	" Filing Cabinet ..	20	-	" 31	" Balance c/d .. ....	1 - -
		£ 120 - -				119 - -

Aug. 1 To Balance b/d ... 119 - -

## Dr. Stock A/c. Cr.

1914 July 1	To Balance b/f .. ....	£ 900	s d	1914 July 31	By Transfer to Trading A/c ..	£ s.d.
Aug. 1	To Balance b/f .. ....	980	- -			900 - -

## Purchases A/c.

Dr.				Gr.
1914 July 31	To Sundries as per Purchases Book	£ <u>233</u>   s <u>0</u>   d <u>0</u>	1914 July 31	By Transfer to Trading A/c... £ <u>233</u>   s <u>0</u>   d <u>0</u>

## Returns Outwards A/c.

Dr.				Gr.
1914 July 31	To Transfer to Trading A/c	£ <u>10</u>   s <u>4</u>   d <u>0</u>	1914 July 31	By Sundries as per Returns O.B. £ <u>10</u>   s <u>4</u>   d <u>0</u>

## Sales A/c.

Dr.				Gr.
1914 July 31	To Transfer to Trading A/c	£ <u>897</u>   s <u>18</u>   d <u>0</u>	1914 July 31	By Sundries as per Sales Book £ <u>897</u>   s <u>18</u>   d <u>0</u>

## Returns Inwards A/c.

Dr.				Gr.
1914 July 31	To Sundries as per Returns I.B.	£ <u>4</u>   s <u>0</u>   d <u>0</u>	1914 July 31	By Transfer to Trading A/c £ <u>4</u>   s <u>0</u>   d <u>0</u>

## Carriage A/c.

Dr.				Gr.
1914 July 31	To Cash .... .....	£ <u>16</u>   s <u>8</u>   d <u>3</u>	1914 July 31	By Transfer to P. & L. A/c... £ <u>16</u>   s <u>8</u>   d <u>3</u>

## Wages A/c.

Dr.				Gr.
1914 July 11 " 25	To Cash ..... .....	£ <u>26</u>   s <u>0</u>   d <u>0</u>	1914 July 31	By Transfer to P. & L. A/c.... £ <u>52</u>   s <u>0</u>   d <u>0</u>

## Stationery A/c.

Dr.				Gr.
1914 July 19	To Cash .....	£ <u>5</u>   s <u>3</u>   d <u>6</u>	1914 July 31	By Transfer to P. & L. A/c .. £ <u>5</u>   s <u>8</u>   d <u>6</u>

## Advertising A/c.

Dr.				Gr.
1914 July 18	To Cash .....	£ <u>15</u>   s <u>10</u>   d <u>0</u>	1911 July 31	By Transfer to P. & L. A/c .. £ <u>15</u>   s <u>10</u>   d <u>0</u>

Dr.	Discount A/c.	Cr.
1914 July 31	To Sundries as per Cash Book	£ s d
" 81	" Transfer to P. & L. A/c. ...	18 4 6 19 7 9 <u>£37 12 3</u>
	1914 July 31	By Sundries as per Casb Book
		£ s d 37 12 3 <u>£37 12 3</u>

Dr.	General Expenses A/c.	Cr.
1914 July 31	To Cash .....	£ s d
		<u>3 6 8</u>
	1914 July 31	By Transfer to P. & L. A/c.....
		£ s d 3 6 8 <u>3 6 8</u>

Dr.	Depreciation A/c.	Cr.
1914 July 31	To Premises. ....	£ s d
" 31	" Furniture .....	2 10 . 1 - . <u>£3 10 .</u>
	1914 July 31	By Transfer to P. & L. A/c.....
		£ s d 3 10 . <u>£3 10 .</u>

Dr.	Charles Cook.	Cr.
1914 July 1	To Balance b/f .....	£ s d
" 14	" Goods .....	164 9 .
" 22	" Goods .....	163 . .
		49 8 .
	1914 July 24	By Cash .....
	" 24	" Discount.....
	" 28	" Cash.....
	" 29	" Returns .....
	" 31	" Balance c/d.....
		£ s d 156 4 6 8 4 6 100 - - 1 - - 111 3 - <u>£876 12 -</u>
Aug. 1	To Balance b/d. ....	111 3 -

Dr.	David Dawson.	Cr.
1914 July 1	To Balance b/f .....	£ s d
" 15	" Goods .....	549 8 2 185 10 .
	1914 July 11	By Cash.....
	" 11	" Discount.....
	" 20	" Returns .....
	" 28	" Cash.....
	" 31	" Balance c/d.....
		£ s d 190 - - 10 - - 8 - - 200 - - 331 19 2 <u>£734 13 2</u>
Aug. 1	To Balance b/d .	331 13 2

Dr.

Henry Haigh.

Cr.

1914		£	s	d	1914		£	s	d	
July 9	To Cash .....	476	-	-	July 1	By Balance b/f.....	709	8	5	
" 9	" Discount.....	25	-	-	" 8	" Goods .....	235	-	-	
" 18	" Returns .....	8	8	-						
" 31	" Balance c/d.....	431	16	5						
		£	948	8	5		£	948	8	5
						Aug 1	By Balance b/d ...	434	15	5

Dr.

Walter White.

Cr.

1914		£	s	d	1914		£	s	d	
July 25	To Returns .....	1	16	-	July 1	By Balance b/f.....	250	12	8	
" 27	" Cash .....	238	-	-	" 21	" Goods .....	48	-	-	
" 27	" Discount.....	12	12	3						
" 31	" Balance c/d.....	46	4	-						
		£	298	12	3		£	293	12	8
						Aug 1	By Balance b/d ..	46	41	-

Trial Balance, 31st July, 1914.

Dr.

Cr.

Cash .....	£	s	d	£	s	d		
Bank.....	1040	19	10					
Henry Mitchell, Capital A/c .....		19	9	1800	-	-		
William Pollard, Capital A/c. ....				1800	-	-		
William Pollard, Drawings A/c. ....	20	-	-					
Freehold Premises A/c. ....	597	10	-					
Furniture & Fittings A/c. ....	119	-	-					
Stock A/c. ....	900	-	-					
Purchases A/c. ....	283	-	-					
Returns Outwards A/c. ....				10	4	-		
Sales A/c. ....				397	13	-		
Returns Inwards A/c. ....	4	-	-					
Carriage A/c. ....	16	8	3					
Wages A/c. ....	52	-	-					
Stationery A/c. ....	5	8	6					
Advertising A/c. ....	15	10	-					
Discount A/c. ....				19	7	9		
General Expenses A/c. ....	3	6	8					
Depreciation A/c. ....	8	10	-					
Charles Cook .....	111	3	-					
David Dawson .....	831	18	2					
Henry Haigh .....				494	15	5		
Walter White .....				46	4	-		
	£	8508	4	2	£	8508	4	2

## Dr. Trading A/c. for the month of July, 1914. Cr.

1914		£ s. d.	1914		£ s. d.
July 1	To Stock.....	900 -	July 31	By Sales..... £397 18	893 18 -
" 31	" Purchases £283 -	272 16 -		Less Retnrs 4 -	
	" Less Returns 10 4	272 16 -			
" 31	" Gross Profit carried to P. & L. A/c..	200 17 -	" 31	" STOCK .....	980 - -
		A 1973 18 -			£ 1873 18 -

## Dr. Profit &amp; Loss A/c. for the month of July, 1914. Cr.

To Carriage .....	£ s. d.	By Gross Profit from Trading A/c. ....	£ s. d.
" Wages.....	16 8 3	" Discount.....	200 17 -
" Stationery .....	62 - -		19 7 8
" Advertising .....	5 3 6		
" General Expenses .....	15 10 -		
" Depreciation .....	8 6 8		
" Net Profit transferred to Capital A/c. of:-	3 10 -		
H. Mitchell... £62 3 2			
W. Pollard ... 62 8 2 124 6 4			
	£ 220 4 9		£ 220 4 9

## Balance Sheet of Mitchell &amp; Pollard, on 31st July, 1914.

Liabilities.	£ s. d.	Assets.	£ s. d.
Sundry Creditors :-		Freehold Premises £600 -	- -
Henry Haigh ... £434 15 6		Less Depreciation 2 10 -	597 10 -
Walter White ... 46 4 -	490 19 5	Furniture & Flittings £100 -	- -
		Add Additions... 20 -	- -
Capital:-			120 - -
H. Mitchell..... £1300 -			
Add $\frac{1}{2}$ Net Profit 62 3 2	1862 8 2	Less Depreciation 1 - -	- -
			119 -
W. Pollard ..... £1300 -		Stock of Goods .....	980 -
Add $\frac{1}{2}$ Net Profit 62 8 2		Sundry Debtors:-	
		Charles Cook ... £111 8 -	
£1862 3 2		David Dawson . 331 13 2	442 16 2
Less Drawings... 20 -	1342 8 2	Cash in hand ..... £ 4 19 10	
		Cash at Bank..... 1040 19 9	1045 18 7
	£ 3183 5 9		£ 3185 6 9

Practical Exercise 27. (*Tabular.*)

This exercise, as well as the next, is adapted from Elementary Examination papers set by the West Riding County Council.

Compile *tabular* Bought, Sold, and Cash Books; also Journal. Post and complete Ex. (see par 103). Separate A/cs. will, of course be needed for Tea, Sugar, and Coffee. (*See page 30.*)

On 1st April, 1907, the Books of John Alvey (myself) showed the following Dr. Balances:—Cash at Bank, £960; at Office, £18 10s.; Tea, £400; Sugar, £150; Coffee, £150. Walter Bell, £50; John Taylor, £45; Office Furniture & Fittings, £80.

April 1.	Bought of J. Gray, Tea, £20; Sugar, £40; Coffee, £24 .....	£84	-
,, 2.	Purchased of Wm. Wilson, Tea, £80, Coffee, £45 .....	125	-
,, 3.	Received from John Taylor on A/c. ....	20	-
,, 3.	Paid into Bank (90) ....	60	-
,, 3.	Sold to Thos. Mason; Tea, £40; Sugar, £56	96	-
,, 5.	Bot. of James Gray: Tea, £20; Sugar, £27 ..	47	-
,, 6.	Sold Chas. Jones: Sugar, £27; Tea, £20....	47	-
,, 7.	Cash Sales, Tea, £15; Sugar, £19; Coffee, £12	46	-
,, 8.	Sold to Thomas Mason on Credit: Tea, £80; Sugar, £20; Coffee, £20 .. .	120	-
,, 8.	Paid Cash for Repairs .. .	6	5
,, 8.	Paid Fire Insurance Premium .. .	1	-
,, 9.	Paid Cheque to James Gray, £80; Dis. £4...	84	-
,, 10.	Received from T. Mason: Cash, £90; Dis. £7	97	-
,, 12.	Paid Cash to James Gray .. .	50	-
,, 12.	Paid into Bank (90) .. .	80	-
,, 14.	Bot of J. Gray, Tea £40; Sugar £26; Coffee £35	101	-
,, 14.	Sold for Cash, Tea £10; Sugar £12; Coffee £8	30	-
,, 15.	Recd. Cheque of Charles Jones £41; Dis. £6	47	-
,, 15.	Deposited in Bank (90) .. .	70	-
,, 16.	Bought of William Wilson: Tea, £80; Sugar, £20; Coffee, £40 .. .	140	-
,, 16.	Paid him on A/c. by Cheque, £95; Dis. £5...	100	-
,, 17.	Withdrew from Bank (90) .. .	20	-
,, 17.	Pd. Cash for Office Files & Copying Press (81)	12	10
,, 19.	Recd. of John Taylor, Cheque in settlement...	25	-
,, 19.	Paid same into Bank .. .	25	-
,, 20.	Sold to Charles Jones; Tea £100; Coffee £20	120	-
,, 21.	Cash Recd. for Tea £19; Sugar £23; Coffee, £10	52	-
,, 22.	Recd. of C. Jones, Cheque, £110; Dis. £10...	120	-
,, 22.	Paid in Bank .. .	140	-
,, 24.	Sold Thomas Mason: Tea, £35; Sugar, £27; Coffee, £12 .. .	74	-
,, 26.	Walter Bell pays me a first and final dividend of 13/4 in the £ (95a) .. .	25	-
,, 27.	Tea of the value of £50 destroyed by fire. Value of Insurance .. .	25	-
	(Royal Insurance Co. Dr. £25, Loss by Fire A/c. Dr. £25, to Tea, £50) .. .	40	-
,, 27.	Paid into Bank .. .	40	-

Apr. 28.	Cash Sales : Tea, £11 ; Sugar, £9 .....	£20	-	-
" 29.	Recd. Cheque from Royal Insurance Co. ....	25	-	-
" 29.	Paid into Bank .....	50	-	-
" 30.	Drew for Private Expenses by cheque (78)...	10	-	-
" 30.	Paid Sundry Expenses in Cash .....	16	-	-
" 30.	Paid Wages by Cheque .....	11	-	-
" 30.	Rent due to James Shaw ( <i>Rent Dr. To J. Shaw</i> ) .....	4 10	-	-
" 30.	Depreciation of Office Furniture, etc. (82)...	6	-	-
" 30.	Charge Interest on Capital (71) .....	10	-	-

*Stock of Tea, £380 ; Sugar, £100 ; Coffee, £258.*

Ex. 27. Trial Balance.	Totals.		Balances.	
	Dr.	Cr.	Dr.	Cr.
Cash A/c. ....	£ s. d.   535 16 8	£ s. d.   525 15 -	£ s. d.   10 1 8	
Bank A/c. ....	1425 - -	216 - -	1209 - -	1893 10 -
Capital A/c. ....		1803 10 -		
Drawings A/c. ....	10 - -		10 - -	
Stock A/c. —				
Tea.....	400 - -		400 - -	
Sugar .....	150 - -		150 - -	
Coffee .....	150 - -		150 - -	
Purchases A/c. —				
Tea .....	240 - -		240 - -	
Sugar.....	118 - -		118 - -	
Coffee .....	141 - -		144 - -	
Sales A/c. :-				
Tea .....		380 - -		380 - -
Sugar .....		193 - -		193 - -
Coffee .....		82 - -		82 - -
Office Furniture & Fittings ...	92 10 -	6 - -	86 10 -	
Wages A/c. ....	11 - -		11 - -	
Bad Debts A/c. ....	16 13 4		16 13 4	
Depreciation A/c. ....	6 - -		6 - -	
Interest A/c. ....	10 - -		10 - -	
Discount A/c. ....	23 - -	9 - -	14 - -	
Trade Expenses A/c. ....	27 15 -		27 15 -	
Loss by Fire A/c. ....	25 - -		25 - -	
James Shaw .....		4 10 -		4 10 -
James Gray.....	134 - -	232 - -		98 - -
William Wilson.....	100 - -	265 - -		165 - -
Walter Bell .....	50 - -	50 - -		
John Taylor.....	45 - -	45 - -		
Royal Insurance Co. .	25 - -	25 - -		
Thomas Mason .....	290 - -	97 - -	193 - -	
Charles Jones.....	167 - -	167 - -		
	£ 4193 15 -	£ 4190 15 -	£ 2816 - -	£ 2816 - -

### Practical Exercise 28. (Tabular).

From the Waste Book Entries of Messrs. Inglis and Glennie, Dyewood and Colour Merchants, prepare Bought, Sales, Cash Books and Journal. Post, prepare T.B., and P. & L. A/c. and B/S. The profits are equally divided. Separate A/cs. for Dyewoods and Colours.

Jan., 1908. Cash at Office, £87 16s. 8d. Bank Balance, £500. Stock of Dyewoods, £1080 18s. 5d. Colours, £1286 6s. 9d. Office

Furniture, £100. Horses & Waggons, etc., £180. Balancees owing by :—Leslie & Co., £238 4s. 6d., Gordon & Jackson, £184 16s. 5d., Macdonald & Co., £216 9s. 8d. Balancees due to :—Morrison & Sons, £178 12s. 10d. Robertson & Cooper, £397 18s. 5d. Byer & Sons, £387 18s. 6d. Glasgow Aniline Co., £153 16s. 9d. Capital : Robert Inglis, £1330 6s. 6d. Wilson Glennie, £1425 19s. 5d.

Jan. 1.	Purchased from Rennie & Sons, Dyewoods... £100	- -
" 1.	Sold Borthwick & Stewart :—	
	Dyewoods... £31 - - ; Colours... £70 12 3—101 12 3	
" 3.	Recd. Invoice from Glasgow Aniline Co.,	
	Colours ..... 235 15 8	
" 5.	Paid Rennie & Sons, cheque ..... 100	- -
" 6.	Reed. cheq of Gordon & Jackson, £82 14; Dis. 2 2 5	
" 7.	Delivered (sold) to Baird & Sons :—	
	Colours, £66 9 5; Dyewoods, £51 6 - 117 15 5	
" 7.	Paid into Bank (90) ..... 160	- -
" 8.	Paid Cash for Office Furniture (81) .... 6 10	
" 8.	Recd. Inv. of Rennie & Sons, Dyewoods ... 146	- -
" 10.	Pd. Robertson & Cooper cheq. £200, Dis. £29 220	- -
" 11.	Consigned (sold) to Leslie & Co. :—	
	Colours, £125 13 - ; Dyewoods, £65 . —190 13	
" 12.	Recd. from Rennie & Sons, Inv. of Dyewoods 135 5	- -
" 12.	Withdrew from Bank (90) ..... 40	- -
" 13.	Paid Wages ..... 11 12	- -
" 14.	Invoiced (sold) to Henderson & Linton :—	
	Dyewoods £69 18 10; Colours £71 6 6.—141 5 4	
" 15.	Paid Rennie & Sons, cheque ..... 281 5	- -
" 15.	Paid Cash for Horse Corn (Trade Exs.) ... 3 8 6	
" 17.	Invoiced (sold) to Macdonald & Co. Dyewoods 145 5	- -
" 18.	Paid Cash for Railway Carriage ..... 8 5 6	
" 18.	Paid Cheque Glasgow Aniline Co., £146 3 -	
	Dis. £7 13 9 ..... 153 16 9	
" 19.	Sold Gordon & Jackson, Colours ..... 268 19 6	
" 19.	Bought Stationery from Alex. Millar ( <i>Journal</i> ) 18 5 9	
" 20.	R. Inglis withdrew cash (78) ..... 15	- -
" 20.	Recd. Leslie & Co., cheque, £134 15 -, Dis. 3 9 6	
	and paid cheque into Bank ... 134 15 -	
" 20.	Invoiced (sold) to Gordon & Jackson :—	
	Colours £160 7 - ; Dyewoods £81 9 11... 241 16 11	
" 21.	Paid for Repairs ..... 3 8 6	
" 21.	Recd. of Macdonald & Co., cheq. £211 1 -, Dis. 5 8 8	
" 21.	Paid Cheq. to Morrison & Sons, £176 3 -, Dis. 2 9 10	
" 21.	Recd. Borthwick & Stewart's cheq. £99 2 -, Dis. 2 10 3	
" 21.	Consigned (sold) to Boyd and Nesbit :—	
	Dyewoods... £95 15 - ; Colours... £139 17 6—235 12 6	
" 22.	Recd. Cheq. from Baird & Sons, £114 17 -, Dis. 2 18 5	
" 22.	Recd. from Robertson & Cooper Inv. of Colours 327 16 -	
" 22.	Withdrew from Bank ..... 30	- -
" 22.	Paid for repairing Waggons and Harness (81) 6 18 6	
" 22.	Forwarded (sold) Leslie & Co. :—	
	Dyewoods... £87 15 - ; Colours... £76 . —163 15 -	

Jan. 22.	Henderson & Linton paid Cheque £130;	
	Dis. £3 7s. ....	£133 7 -
,, 22.	Paid 4 Cheques into Bank .....	555 - -
,, 22.	Forwarded (sold) Baird & Sons, Colours ...	261 1 2
,, 24.	Morrison's Invoiced to us, Colours .....	78 5 -
,, 24.	Paid Wages .....	22 5 8
,, 24.	Delivered (sold) to Gordon & Jackson, Colours	92 19 11
,, 24.	Paid Rent by Cheque .....	25 - -
,, 25.	Wilson Glennie withdrew by Cheque (78)...	20 - -
,, 25.	Sold to Henderson & Linton :— Dyewoods...£72 15 4; Colours...£333 9 10—	406 5 2
,, 25.	Paid A. Millar, Cheque £17 9 - ; Dis. 16/9...	18 5 9
,, 26.	Received Cheque on A/c. from Boyd & Nesbit and paid same into Bank to-day...	200 - -
,, 28.	Paid Fire Insurance Premium .....	1 10 -
,, 29.	Robert Inglis withdrew by cheque (78) .....	20 - -
,, 31.	Paid Sundry Trade Expenses by Cheque...	11 3 -
,, 31.	Recd. from Boyd & Nesbit dividend of 15/- in the £ on £35 12 6, being bal. owing (95)	26 11 4
	<i>Stock of Dyewoods £1050 10 - ; Colours £450 15 6.</i>	

Ex 28. Trial Balance.	Totals.			Balances.	
	Dr.	Cr.	Dr.	Cr.	
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	
Cash A/c. ....	822 5 -	733 19 8	25 6 4		
Bank A/c. ....	1549 13 -	1037 3 -	482 12 -		1339 6 6
Robert Inglis' Capital A/c .		1330 6 6			
Robert Inglis' Drawings A/c	35 - -		35 - -		
Wilson Glennie's Capital A/c		1123 19 5			1425 19 5
Wilson Glennie's DrawgsA/c	20 - -		20 - -		
Stock A/c. :—					
Dyewoods .....	1050 18 5		1050 18 5		
Colours .....	1286 6 9		1286 6 9		
Purchases A/c. :—					
Dyewoods .....	381 5 -		381 5 -		
Colours .....	641 16 8		641 16 8		
Sales A/c. :—					
Dyewoods .....		700 5 1			700 5 1
Colours .....		1666 16 1			1666 16 1
Office Furniture, A/c.....	106 10 -		106 10 -		
Horses, Waggons, &c. A/c.	180 - -		180 - -		
Bad Debts, A/c .....	8 18 2		8 18 2		
Carriage A/c.....	8 5 6		8 5 6		
Wages A/c.....	33 17 8		33 17 8		
Discount A.c. ....	19 16 3	31 - 4			11 4 1
Trade Expenses A/c. ....	69 14 3		69 14 3		
John Morrison & Sons .....	175 12 10	256 17 10			78 5 -
Robertson & Cooper .....	220 - -	725 14 5			505 14 5
David Byer & Sons.....		387 18 6			387 18 6
Glasgow Aniline Co. ....	123 16 9	389 12 5			235 15 8
Alex. Millar .....	19 5 9	18 5 9			- - -
Rennie & Sons .....	381 5 -	381 5 -			- - -
Alex. Macdonald & Co. ....	361 14 8	216 9 8	115 5 -		
Boyd & Nesbit .....	235 12 6	235 12 6	- - -		
Andrew Leslie & Co. ....	592 12 6	138 4 6	454 8 -		
Borthwick & Stewart.....	101 12 3	101 12 3	- - -		
James Baird & Sons .....	375 16 7	117 15 5	261 1 2		
Henderson & Linton .....	547 10 6	133 7 -	414 3 6		
Gordon & Jackson ...	765 12 9	81 16 5	703 16 4		
	£ 10203 - 9	10203 - 9	£ 342 4 9		6342 4 9

Practical Exercise 29. (*Tabular.*)

Thomas Turner having had bequeathed to him the business of a Wine Merchant, carried on by his late uncle, took possession thereof 1st September, 1907, when he found the affairs to stand thus.—

*Assets* :—Cash, £86 14s. 3d. Bank, £1700 18s 6d. Business Premises, £2000. Furniture & Fittings, £200. Horses, Carts, etc., £350. Stock of Port, £1140 Sherry, £980 Charles Gray, £110 11s. 0d John Heath, £64 3s 0d Arthur Monson, £143 9s. 6d. Ernest Hooley, £206 10s. 6d. Fred Davis, £18 17s. 6d. Albert Boston, £83 6s. 0d. *Liabilities* :—Timms & Co., £1273 11s. 6d. Geisler & Co., £723 1s. 6d Perrier & Co., £1078 16s. 0d. Capital £4009 1s. 3d., 1st September, 1907.

Sept. 1.	Withdrawn from business by Cheque (78)	£100	-	-
" 1.	Sold Port for Cash . . . . .	8	3	6
" 2.	Invoiced Charles Gray . Port £26 8 9 ; Sherry	31	3	6
" 3.	Paid Cheque for Walnut Desk (81) . . . . .	28	-	-
" 4.	Recd. from Chas Gray, £105. Dis £5 11 . . . . .	110	11	-
" 4.	Paid Wages in Cash . . . . .	5	-	-
" 4.	Paid into Bank . . . . .	180	-	-
" 6.	Sold Albert Boston, Port £46 7 6 ; Sherry	28	13	4
" 7.	Recd. from Ernest Hooley, £95. Dis. £5 . . . . .	100	-	-
" 7.	Bought of Timms & Co., Port . . . . .	136	10	-
" 8.	Paid them Cheque, £190 Dis. £10 . . . . .	200	-	-
" 8.	Received Cheque of Albert Boston ..... . . . . .	83	6	-
" 8.	Paid 2 Cheques into Bank . . . . .	178	6	-
" 9.	Sold Sherry for Cash . . . . .	13	10	-
" 10.	Recd. from Arthur Monson, £136. Dis. £7 9 6 . . . . .	113	9	6
" 11.	Paid Wages in Cash . . . . .	5	-	-
" 11.	Paid into Bank . . . . .	130	-	-
" 13.	Sold Ernest Hooley : Port £136 9 6 ; Sherry	123	4	6
" 14.	Bought of Geisler & Co., Sherry . . . . .	210	-	-
" 15.	Paid them Cheque on A/c. . . . .	400	-	-
" 16.	Sent Chas Gray Port £83 10s. ; Sherry . . . . .	68	17	6
" 17.	Recd. from him Cheque £57 Dis £3 12 3 . . . . .	60	12	3
" 18.	Paid Wages . . . . .	5	-	-
" 18.	Paid Cash for Painting Premises (81) . . . . .	23	-	-
" 18.	Paid Cash for Gas . . . . .	4	5	-
" 18.	Paid into Bank . . . . .	40	-	-
" 20.	Bought of Ferrier & Co. : Port £109, Sherry	84	6	-
" 20.	Remitted them Cheque on A/c. . . . .	500	-	-
" 21.	Withdrew from Bank . . . . .	30	-	-
" 21.	Paid Cash for New Cart (81) . . . . .	32	10	-
" 21.	Drew Cheque for private purposes (78) . . . . .	50	-	-
" 22.	Sold John Heath . Port £84 6, Sherry . . . . .			
" 23.	Sold Albert Boston . Port £198 18 6, Sherry . . . . .			
" 24.	Recd. from him Cheque, which paid back to day, £71. Dis £1 - 10			

Sep. 24.	Paid Fire Insurance Premium, Cash .....	£4 5 -
" 24.	Withdrew from Bank .....	40 - -
" 25.	Paid Wages in Cash .....	5 - -
" 25.	Paid Cash for Corn and Fodder (Trade Exs.)	7 10 6
" 27.	Bought of Perrier & Co.: Port £219 10; Sherry .....	143 9 6
" 27.	Remitted them Cheque, £524. Dis. £54 16 -	578 16 -
" 28.	Hooley compounded with his Crs. for 10s. in the £. Recd. Cheq. & paid it into Bank (95)	183 2 3
" 29.	Paid Borough Rate in Cash .....	27 - -
" 30.	Paid Rly. Carriage A/c. by Cheque .....	13 - -
" 30.	Interest allowed by Bank (92) .....	10 5 -
" 30.	Charge Depreciation on Premises (S2) .....	40 - -
" 30.	" " Furniture, etc. ...	17 2 -
" 30.	" " Horses, Carts, etc.	38 5 -

Stock—Value of Port, £1363; Sherry, £1096.

Ex. 29. Trial Balance.	Totals.			Balances.		
	Dr.	£ s. d.	Cr.	Dr.	£ s. d.	Cr.
Cash A/c. ....	654 18 9	652 16 6		1 17 3		
Bank A/c. ....	2499 11 9	1675 - -		624 11 9		
Capital A/c. ....		4009 1 9				4009 1 3
Drawings A/c. ....	150 - -			150 - -		
Stock A/c.—						
Port .....	1140 - -			1140 - -		
Sherry.....	950 - -			950 - -		
Purchases A/c.—						
Port .....	465 - -			465 - -		
Sherry .....	437 15 6			437 15 6		
Sales A/c.—						
Port .....		584 3 9				584 3 9
Sherry .....		573 9 10				573 9 10
Business Premises A/c. ....	2000 - -	40 - -		1960 - -		
Furniture & Fittings A/c ....	228 - -	17 2 -		210 18 -		
Horses, Carts, &c. A/c....	382 10 -	38 5 -		344 5 -		
Bad Debts A/c.....	183 2 3			183 2 3		
Carriage A/c.....	13 - -			13 - -		
Wages A/c. ....	20 - -			20 - -		
Depreciation A/c. ....	95 7 -			95 7 -		
Interest A/c. ....		10 5 -				10 6 -
Discount A/c. ....	25 13 7	64 16 -				89 2 5
Trade Expenses A/c. ....	16 - 6			66 - 6		
Timms & Co. ....	200 - -	1410 1 6				1210 1 6
Geisler & Co. ....	400 - -	933 1 6				533 1 6
Perrier & Co. ....	1073 16 -	1635 1 6				556 5 6
Ernest Hooley .....	466 4 6	466 4 6		- - -		
Fred Davis .....	18 17 6			18 17 6		
Albert Boston .....	563 16 4	158 6 10		405 9 6		
Charles Gray.....	323 10 9	171 8 8		152 7 6		
John Heath .....	216 19 -			246 19 -		
Arthur Monson.....	143 9 6	143 9 6		- - -		
	£ 12753 7 11	12762 7 11		7515 10 9		7515 10 9

## Practical Exercise 30. (Tabular.)

*Assets* :—Cash, £50 1s. 6d. Bank, £864 7s. 6d. Tea, £800. Coffee, £350. Cocoa, £410. Brown & Brooke, £162 1s. 3d. Simpson & Sons, £124 2s. 6d. Carter & Co., £98 12s. 3d. Bruce & Co., £172 17s. 0d. *Liabilities* :—Colman & Co. £101 2s. 6d. Wilson & Sons, £103 4s. 0d. Ramsden & Co. £127 15s. 6d. Alfred Bailey, £215. Capital, £2185, 2nd Jan., 1909. (See lithographed examples at the end of the Manuscript Journal sold by the Author.)

Jan. 2.	Recd. of Brown & Brooke, Cheque £159, which paid into Bank. Dis. £4 1 3 .....	£162 1 3
,, 2.	Sold Carter & Co., Tea ..... £110 - -	- -
	Cocoa..... £30 10 - ; Coffee ..... £15 - -	—155 10 -
,, 2.	Pd. Colman & Co., Chq., £292 10. Dis. £7 10 300 - -	- -
,, 2.	Sold Smith & Ward, Tea ..... .... 60 - -	- -
,, 2.	Sold Bruce & Co., Tea, £69 ; Coffee, £32 10—101 10 -	-
,, 3.	Recd. of Simpson's, £121. Dis. £3 2 6 ... 124 2 6	-
,, 4.	Pd. Ramsden & Co., Chq., £125. Dis. £2 15 6 127 15 6	-
,, 4.	Sold Brown & Brooke, Tea..... £169 - -	-
	Coffee ... 74 7 6 243 7 6	-
,, 5.	Bought of Wilson & Sons, Tea .. .... . .... 505 - -	-
,, 5.	Paid them Cheque, £101 10. Dis. £1 14 ... 103 4 -	-
,, 6.	Sold Simpson & Sons, Tea ..... .... 260 - -	-
,, 6.	Received their Cheque on A/c. for ..... 150 - -	-
,, 7.	Paid Wages ..... .... 5 - -	-
,, 7.	Sold Brown & Brooke, Cocoa, £60, Coffee £84 144 - -	-
,, 7.	Sold Simpson & Sons, Tea, £125 ; Coffee £70 ; Cocoa, £27 10 ..... 222 10 -	-
,, 9.	Bought of Ramsden & Co., Coffee ..... 102 - -	-
,, 10.	" Colman & Co., " ..... 130 - -	-
,, 11.	Recd. of Simpson & Sons, £105 ; Dis. £5 ... 110 - -	-
,, 12.	Recd. of Brown & Brooke, £235. Dis. £8 7 6 243 7 6	-
,, 14.	Cash Sale to date, Tea, £280 ; Coffee, £87 10 - ; Cocoa, £90 ..... 457 10 -	-
,, 14.	Paid Wages in Cash ..... .... 5 2 6	-
,, 14.	Paid into Bank ..... .... 420 - -	-
,, 16.	Pd. Colman & Co., Cheq., £225. Dis. £6 2 6 231 2 6	-
,, 16.	Paid Cash into Bank ..... .... 600 - -	-
,, 17.	Bought from Alfred Bailey, Cocoa ..... 210 - -	-
,, 17.	Remitted him Cheque £207 10, Dis. £7 10... 215 - -	-
,, 20.	Sold Carter & Co., Tea, £111 ; Coffee, £65 ; Cocoa, £63 ..... 239 - -	-
,, 20.	Received their Cheque for ..... 256 2 6	-
,, 20.	Paid into Bank ..... .... 300 - -	-
,, 21.	Paid Wilson & Sons, Cheque ..... 505 - -	-
,, 21.	Paid Wages in Cash ..... .... 5 - -	-
,, 23.	Bought of Colman & Co., Coffee ..... 130 - -	-
,, 23.	Bought of Wilson & Sons, Tea ..... 315 - -	-

Jan. 23.	Bought of Alfred Bailey, Tea .....	£200	-	-
,, 24.	Paid Alfred Bailey, Cheque £202; Dis. £8..	210	-	-
,, 24.	Sold Simpson & Sons, Tea .....	55	-	-
,, 25.	Sold Brown & Brooke, Coffee .....	42	-	-
,, 25.	Sold Carter & Co., Coffee .....	45	-	-
,, 26.	Smith & Ward became insolvent and paid their creditors a div. of 10s. in the £, I received and paid into the Bank (95a) ...	30	-	-
,, 26.	Sold Brown & Brooke, Tea .....	60	-	-
,, 27.	Received of Carter & Co., £107; Dis. £3..	110	-	-
,, 27.	Drew cheque for cash .....	500	-	-
,, 28.	Bought for Cash at Auction Sales:— Tea, £250; Coffee, £157 10s.; Cocoa, £101	511 10	-	-
,, 28.	Paid Wages, Cash .....	5 7 6	-	-
,, 31.	Sundry Cash Sales to date:— Tea, £154; Coffee, £61; Cocoa, £49 .....	264	-	-
,, 31.	Rent due Landlord .....	10	-	-
,, 31.	Paid Rates .....	5 10	-	-
,, 31.	Paid Sundry Trade Expenses .....	5 2 6	-	-
,, 31.	Paid into Bank .....	350	-	-

Stocks:—Tea, £720, Coffee, £31; Cocoa, £440.

Ex. 30. Trial Balance	Totals			Balances	
	Dr.	Cr.	Dr.	Cr.	Dr.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Cash A/c .....	215 14	2212 12 6	83 1 6		
Bank A/c .....	2722 7 6	2159 10	563 17 6		
Capital A/c .....	2185	-	2185	-	
Stock A/c :—					
Tea .....	603	-	800	-	
Coffee .....	150	-	359	-	
Cocoa .....	410	-	410	-	
Purchases A/c :—					
Tea .....	1270	-	1270	-	
Coffee .....	519 10	-	519 10	-	
Cocoa .....	314	-	314	-	
Sales A/c :—					
Tea .....		1453	-	1453	-
Coffee .....		576 7 6	-	576 7 6	-
Cocoa .....		120	-	120	-
Bad Debts A/c .....	33	-	30	-	
Wages A/c .....	20 10	-	20 10	-	
Discount A/c .....	23 11 3	23 12			10 - 0
Trade Expenses A/c .....	23 12 6		20 12 6		
Colman & Co .....	531 2 6	601 2 6			190
Wilson & Sons .....	635 4	923 4			315
Ransden & Co .....	127 15 6	223 15 6			103
Alfred Bailey .....	425	-	645	-	200
Landlord .....		10			10
Brown & Brooke .....	631 8 9	405 8 9	246	-	
Simpson & Sons .....	671 12 6	384 2 6	277 10	-	
Carter & Co .....	534 2 3	365 2 6	171 19 9	-	
Ecate & Co .....	574 7	-	274	7	
Smith & Ward .....	60	-	60	-	
	£ 19633 17 9	12233 17 9	5301 8 8	£201 F 8	

## Practical Exercise 31. (Tabular.)

Jackson Bros. (Robert and John) carry on business as Tobacco Merchants. Three fifths of profits to Robert, two-fifths to John.

*Assets* :—Cash, £20. Bank, £2600 9s. 6d. Furniture & Fittings, £380. Tobacco, £700. Cigars, £510. Cigarettes, £263. Edward Wade, £212 12s. 6d. Thos. Elliott, £113. Joe Parson, £128 6s. 2d. Alb. Kershaw, £50. Hy. Hirst, £300. *Liabilities* :—Ogden & Co., £190. Bell & Sons, £250 9s. 6d. Wills & Co., £800. Hignett & Co., £505 18s. 8d. Martin Bros., £606. Capital :—Robert Jackson, £1755. John Jackson, £1170. 1st October, 1907.

Oct. 1.	Sold Edward Wade :—Tobacco .....	£20 6 4
	Cigars...£50 10s.; Cigarettes ...	15 9 6 86 5 10
,, 1.	Recd. from him, cheque £202. Dis.	10 12 6—212 12 6
,, 2.	Paid Cash for Stationery (Trade Exs.) . . .	5 7 3
,, 2.	Recd. from Henry Hirst, cheq. on A/c . . .	200 - -
,, 2.	Paid cheques into Bank .....	402 - -
,, 4.	Bot. of Hignett & Co.; Tobacco...£42 10 6	
	Cigars.....£96; Cigarettes . . .	19 5 4—157 15 10
,, 4.	Paid them cheq., £480 12. Dis. £25 6 8 . . .	505 18 8
,, 5.	Paid Wills & Co., cheque on A/c . . .	400 - -
,, 5.	Sold Joe Parson: Tobacco .....	£30 8 . . .
	Cigars...£80 6; Cigarettes ...	20 10 —131 4 . . .
,, 6.	Recd. from him Cheque £121 18. Discount...	6 8 2
	Paid cheque into Bank . . .	121 18
,, 7.	Invoiced to Albert Kershaw, Cigars .....	28 10
,, 7.	Received cheque from him .....	50 - -
,, 8.	Bought Cigars from Martin Bros. . . .	150 10
,, 8.	Paid them cheque £285. Dis. £15 . . .	300 - -
,, 8.	Received cheque from Joe Parson on A/c . . .	43 - -
,, 8.	Pd. Ogden & Co., cheque £180 10. Dis. £9 10	190 - -
,, 9.	Sold Cigarettes to Thomas Elliott .. . .	18 - -
,, 9.	Paid into Bank . . . . .	93 - -
,, 9.	Sold to Henry Hirst :—Tobacco £63 8 6	
	Cigars £46 10; Cigarettes . . .	21 3 —131 1 6
,, 9.	Paid Wages in Cash . . . . .	8 10 -
,, 11.	Edward Wade paid cheque on A/c . . .	50 - -
,, 11.	Endorsed Wade's cheque and sent it to Bell & Sons (66b) . . . . .	50 - -
,, 11.	Bought of Ogden & Co.: Tobacco £130 . . .	
	Cigars...£160 - -; Cigarettes £32 . . .	—322 - -
,, 12.	Parson's chq. returned by Bank dishonoured <i>(N.B. at the end of the Exercise)</i> . . . . .	43 - -
,, 14.	Sent to Thomas Elliott: Tobacco .. 89 6 6	
	Cigars...£113 4 6; Cigarettes . . .	45 7 —247 18 :
,, 16.	Withdrew from Bank . . . . .	20
,, 16.	Paid Wages in Cash . . . . .	
,, 16.	Paid for Postages (Trade Exs.) . . . . .	
,, 18.	Bought of Bell & Sons: Tobacco...£83	
	Cigars ..£54 6 2; Cigarettes . . .	27
	them cheque, £238. Dis. £12	
	cheque from Henry Hirst	

Oct. 20.	Endorsed Hirst's cheque and sent it to Martin Bros. (66b) .....	£100 . .
.. 21.	Paid Borough Rate in Cash .....	11 9 6
.. 21.	Sold Edward Wade: Tobacco ... £53 16 8 Cigars...£48 13 10; Cigarettes... 27 16 4—130 6 10	
.. 21.	Recd. from him Cheq. £32. Dis. £4 5 10... 36 5 10	
.. 22.	Sold Henry Hirst: Tobacco ..... £68 15 - Cigars £100 3 -; Cigarettes .... 28 7 8—197 5 8	
.. 22.	Recd. from him Chq. £124 10s. Dis. £6 11 6 131 1 6	
.. 22.	Paid Cheques into Bank .....	156 10 -
.. 23.	Drew Cheques for Cash .....	20 -
.. 23.	Paid Wages in Cash .....	8 10 -
.. 25.	Parson absconded, left no assets; his debt is(74) 131 4 -	
.. 25.	Paid Cheque for new Show Case (81) .....	23 -
.. 26.	Bought of Wills & Co.: Tobacco £130 6 - Cigars . £180 4 -; Cigarettes... 63 10 —374 -	
.. 26.	Paid them Cheque £360. Dis. £40 .....	400 -
.. 27.	Bought Cigars from Martin Bros. .....	123 10 -
.. 27.	Paid them Cheque £275 14. Dis. £30 6 ... 306 -	
.. 27.	Paid Cash for Fire Insce. Prem. .... .. 4 10 -	
.. 28.	Recd. from T. Elliott, Chq., £124 9. Dis. £6 11 131 -	
.. 28.	Sent Elliott's chq. to Wills & Co. on a/c.(66b) 124 9 -	
.. 30.	Paid Rent by Cheque ... .. .. 10 -	
.. 30.	Partners each withdrew by Cheq. £20 (7S) 40 -	
.. 30.	Cash Sales—Tobacco ... .. £19 6 - Cigars £23 10 -; Cigarettes .. 8 4 6—51 . 6	
.. 30.	Paid Wages in Cash .... .. .. 8 10 -	
.. 30.	Depreciation of Furniture, etc. (82) .....	22 -
.. 30.	Interest on Capital—Robert Jackson (71) ... 7 6 3 " " John Jackson .. 4 17 6	
.. 30.	Bank interest credited (92) .. .... .. 8 10 6	

*Stocks:—Tobacco £865; Cigars £928; Cigarettes £290.*

N.B.—Ex. 31. Oct. 12, Dishonoured Cheque.—This means that although Parson has forwarded us the cheque, his bankers refuse to pay it. We received it on the 8th, and paid it into our Bank on the 9th. Our Bank now return it to us and Parson owes us the money. Enter on the Cr. side of the C.B. Bank column “Oct. 12. By J. Parson (*Dishonoured Cheque*) £43.” This will, of course, be posted to the debit of Joe Parson, to whom we shall write demanding the cash.

Take another example: John Smith pays on the 1st March his account of £200; after deducting 2½% discount. If the cheque is paid direct into the Bank this transaction would be entered on the Dr. side of the Cash Book, thus:—

*Discount      Bank*

*March 1. To John Smith ... £5 . . £195 - -*

On information of the fact that the cheque is dishonoured an entry would be made on the Cr. side of the Cash Book in the Bank column, thus:—

*March 4. By John Smith (*dishonoured cheque*) £195.*

This amount would be posted to the debit of Smith's account.

Ex. 31.	Trial Balance.	Totals.			Balances.		
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Cash A/c. ....	1036 19 6	936 5 9		50 13 9			
Bank A/c. ....	8352 8 -	2375 16 -		1006 12 -			
R. Jackson's Capital A/c. ....		1762 6 3		20 - -		1762 6 3	
R. Jackson's Drawings A/c. ....	20 - -	1174 17 6		20 - -		1174 17 6	
J. Jackson's Capital A/c. ....	20 - -			20 - -			
J. Jackson's Drawings A/c. ....				20 - -			
Stock A/c. —							
Tobacco.....	700 - -			700 - -			
Cigars.....	510 - -			510 - -			
Cigarettes .....	263 - -			263 - -			
Purchases A/c. —							
Tobacco.....	386 5 10			386 5 10			
Cigars.....	764 10 2			764 10 2			
Cigarettes .....	142 8 10			142 3 10			
Sales A/c. —							
Tobacco .....		845 7 -				845 7 -	
Cigars.....		491 7 4				491 7 4	
Cigarettes .....		184 18 -				184 18 -	
Furniture & Fittings A/c. ....	403 - -	23 - -		381 - -			
Bad Debts A/c. ....	181 4 -			131 4 -			
Wages A/c. ....	34 - -			34 - -			
Depreciation A/c. ....	22 - -			22 - -			
Interest A/c. ....	12 3 9	8 10 6		9 13 8			
Discount A/c. ....	84 9 -	132 12 2				96 3 2	
Trade Expenses A/c. ....	36 6 9			36 6 9			
Ogden & Co. ....	190 - -	512 - -				322 - -	
Bell & Sons .....	300 9 6	415 13 6				115 4 -	
Wills & Sons.....	924 9 -	1174 - -				249 11 -	
Hignett & Co. ....	505 18 8	663 14 6				157 15 10	
Martin Bros. ....	706 - -	880 - -				174 - -	
Edward Wade .....	429 5 2	298 18 4		180 6 10			
Thomas Elliott . ....	878 18 -	131 - -		247 18 -			
Joe Parson .....	802 10 2	303 10 2		- - -			
Albert Kershaw .....	78 10 -	50 - -		28 10 -			
Henry Hirst .....	628 7 2	431 1 6		197 5 6			
	£ 12312 18 6	12942 18 6		5075 10 1		6075 10 1	

Practical Exercise 32. (*Tabular.*)

In Jan., 1909, John Wm. Heaps, Edwin Wilson and Arthur James Bowler entered into partnership under the style or firm of Wilson and Bowler, their respective Capitals of £5000, £500 and £500, being paid into Bank in the name of the firm. On Jan. 1 they purchased the business of Warren & Co., Indigo Merchants, for the sum of £1759 1s. 3d., to be paid at the end of the month. Warrens' books stood as follows—(See par. 79.)

*Assets* :—Premises £3000, Furniture & Fittings £200, Horses, Carts, etc., £350, Stocks of Indigo :—Bengal £1360, Kurpah £1100, Madras £447 12 9. *Debtors* :—Chas. Slee £110 11, John Holt £64 3, Brooke & Co. £143 9 6, Roberts Bros. £206 10 6. Firth & Jones £18 17 6, Bureau & Co. £83 6. *Liabilities* :—*Creditors* :—Edwin Bower & Co. £1273 11 6, Koebel & Co. £723 1 6, Jewesbury & Co. £1078 16, Capital £4009 1 3.

(In journalising these balances be careful to debit Goodwill with £750, and credit Warren & Co. with £4759 1 3.)